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REDEFINING DEVELOPMENT

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Lister Sinclair

Good evening. This is Ideas about development.

Harry Truman

The peoples of the earth face the future with grave uncertainty. In this time of doubt they look to the United States as never before for good will, strength, and wise leadership. It is fitting, therefore, that we ...

Lister Sinclair

American president-elect Harry Truman makes his inaugural address. The U.S. has emerged from the war as the world's pre-eminent power and Truman confidently assumes the mantle of world leadership by projecting a new mission for the United States, what will become known as international development.

Harry Truman

We must embark on a bold, new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. More than half of the people of the world are living in conditions approaching misery. Their food is inadequate. They are victims of disease. Their economic life is primitive and stagnant. Their poverty is a handicap and a threat, both to them and to more prosperous areas. For the first time in history, humanity possesses the knowledge and skill to relieve the suffering of these people. The United States is pre-eminent among the nations in the development of industrial and scientific techniques. I believe that we should make available to peace-loving people the benefits of our store of technical knowledge, in order to help them realize their aspirations for a better life. And in co-operation with other nations, we should foster capital investment in areas needing development. Such new economic development must be devised and controlled to the benefit of the peoples of the areas in which they are established. The old imperialism, exploitation for foreign profit, has no place in our plans.

Lister Sinclair

In 1949 international development had a bright, innocent sound, at least for Truman's American listeners. The President could still plausibly portray the United States as the very image of a developed society, a model all the world could imitate. Today, as development staggers into its fifth decade, the very meaning of the concept has become uncertain. The U.N.'s Brundtland Commission

now calls for sustainable development, but many doubt that this is more than a contradiction in terms and call for more fundamental rethinking. Tonight on Ideas we'll examine the question of whether development has a future. You'll hear from German thinker Wolfgang Sachs, who thinks it doesn't.

Wolfgang Sachs

Those societies after which development was supposed to be patterned, namely North America and Europe, are marching into a dead end. So what kind of example is that? The moment you stop considering North America and Europe as an example, it doesn't make sense any more to talk about development.

Lister Sinclair

And you'll hear from David Brooks of Canada's International Development Research Centre, who thinks that development can and must be redefined.

David Brooks

We're like an airplane flying in some mountains and when our navigator spots a mountain directly ahead of us, there are a number of things we can do, but one of them is not to turn off the engines of the airplane. You don't stop the airplane in mid-air. And modern economies are much more like that. You just can't stop them. You can't just walk away from development at this point in time.

Lister Sinclair

Tonight's program is the first of four programs called "Redefining Development." The series is written and presented by David Cayley.

David Cayley

In 1966, American sociologist Irving Louis Horowitz published a book called *Three Worlds of Development*. Its title embodied an idea whose time had come. Soon virtually the whole of Asia, Africa and Latin America could be swept into one, neat, conceptual dustpan called "The Third World." This way of speaking has now become problematic. With the collapse of Communism and the end of the cold war, it no longer makes sense to speak of a third world. Nor do the rich countries of the first world any longer appear as objects of unambiguous admiration. The obvious damage development has done to the natural fabric of our own societies has made us only too aware that our own way of life is unsustainable.

This has created a crisis for those who want to renew and reinvigorate the project of international development, so they have invented "sustainable development" to provide the new conceptual framework they require. But there are others who claim that development itself is an obsolete idea. It's too compromised, too weighted down with contradictory meanings, they say, to be of any further use. One of these thinkers is Wolfgang Sachs, a research fellow at the Institute of Advanced Studies at Essen in West Germany. Sachs's background is in the German Green movement. He worked on alternative energy policies for Germany as part of the research group on energy and society at the Technical University of Berlin, and wrote a book on the life of the automobile, now being translated into English. Then in the early eighties he edited a journal called *Development*, published in Rome. And that's the point at which my conversation with Wolfgang Sachs begins.

Wolfgang Sachs

I served as the editor of that journal for three and a half, four years, not because I felt myself to be a third-world expert, somebody who knows how development down there in the south should go on and should be executed. No, it was rather because I wanted to represent our historical experiences with progress, with modernization, this extraordinary experience in our own countries, to represent them and to tell them to third-world representatives, and I wanted to pull these experiences into the general discourse on development--what development is all about. I think today you cannot discuss development anymore without taking into consideration that those nations who had long been thought to be the ideals of development, that those nations today have ended up to be in a dead end. The moment we talk about development, we necessarily include the image, the idea of a fully developed society and historically this has been the United States basically, and Europe. Now the moment we do not know anymore what a fully developed society would be, there is no point anymore in talking about underdevelopment. So the whole conceptual framework seems to be crumbling today. So I thought it is time to admit that we have here in front of us what I would call a mental ruin--it's not only that buildings can turn into ruins--and that it's time to look at this mental ruin to examine the layers upon which it is built, to be amazed at the kind of structures, the kind of buildings, the kind of annexes, what the

shape of this ruin is, in order then, in a way, to leave it behind, to say, well, this has happened in the past, and this we can say in order to explain to ourselves what has happened, but now it's time to leave the shadow of these ruins. So in order to be better able to say farewell to development, I thought it would be nice to have an archeology of it.

David Cayley

From when do you date the concept of development?

Wolfgang Sachs

I would like to modify slightly the question. I would rather say where I see the concept of underdevelopment was born. And that is surprisingly clear. It's just enough to look into the *Oxford English Dictionary* and you will see that it was President Truman, in his inauguration speech as president on the 20th of January of '49, who used first the term "underdeveloped areas" in this world. Before '49 this was not known. One did not speak in that term about countries, let's say, in the southern hemisphere.

David Cayley

But surely the colonial powers had always regarded these same areas now being called underdeveloped from a fairly lofty height. Did they not always regard these areas as underdeveloped?

Wolfgang Sachs

No, I don't think so. Of course, the colonial powers looked down upon these countries. However, it was a looking-down-upon which somehow comes out of a different attitude. It comes out of a different mental framework. Colonialism basically was patterned after the father-child relationship. These countries down there were not mature yet. They were immature. They were ignorant. They were somehow still in the childhood of human evolution and so had to be put under authority. They had to be put under moral supervision. Lord Lugard in the twenties, concerning the British empire, has described the mission of England in a double way. He said, first the mission of England, of course, is to profit from the overseas territories, and second, however, more importantly, he said, it is necessary England has to be there in order to lead the natives on to a higher moral plane. Now it is after the second world war that these two different goals converge into one, coincide into one, and this is then called development,

because now economic mobilization equals higher civilization. So now these two formerly distinct goals collapse into one and this collapsing into one has been possible because now we don't talk about a relationship of authority anymore between England or France and the overseas territories, but we talk about relationships of commerce, of trade, of markets. So on the one hand the mission of development, of course, was a mission which was gladly assumed and defined by the United States, which became the dominating world power after the second world war. In order to project its global mission, it needed development, in particular, because development was, as I said before, not linked to the colonial discourse. On the other hand, however, it is also clear that there was not only after the war a world power seeking its mission, there were also many new states emerging, new governments being formed who were seeking a *raison d'état* as well. The anti-colonial movements in the fifties, in the sixties, and in particular the young nations, searched desperately for a justification of why they are there, which was not an easy thing to do because in many of these countries states were not known, at least modern states in our sense were not known. So in order to impose taxes, in order to set up administrations, in order to extend control, in order to mobilize step by step a whole country, some mobilizing goal had to be set up. And this was development.

David Cayley

How do these nations consent to feel about themselves, in your view, when they agree to be portrayed as underdeveloped or developing?

Wolfgang Sachs

Well, looked at from today, it seems to me that more and more people realize that in the fifties and the sixties most of these young nations set out to run on a racetrack which leads towards a dead end, towards an impasse, and that whereas let's say in the fifties and sixties it would have been imaginable to start off in various directions according to the heritage of each country, today many countries have embarked upon the same path and they are running into the same direction and find it increasingly difficult to find their own way, to branch off from the direction which has been indicated by the United States and to find their own way--in a way to invent, to create their own project as a society, to work for a way to live together, to produce, to be in life

which conforms better to their traditions, to their long-standing aspirations, to what they really are inside.

David Cayley

You spoke a little while ago of Truman and of the origins of this discourse and the invention of the underdeveloped areas. You've then traced the idea of development through a number of permutations. Can you say, roughly, what these phases you see the idea of going through are until you come to the present, to sustainable development?

Wolfgang Sachs

In the fifties, development was basically the result of capital investment. So you would transfer capital, you would transfer later on certain qualifications, certain technical assistance. This input was supposed to get development going, to reach that point of take-off beyond which, as it was said, development or growth would be self-sustained. There were then modifications in the sixties. As I said already, one discovered that it's not only a problem of capital investment, it also has to do with people. So then one talked about manpower planning, schooling and education, in order to form manpower for development, to staff, if you want, the apparatus of producing GNP. I would say that then an important watershed has to be identified in the early seventies when it became increasingly clear that transferring capital-forming manpower was not enough, that, on the contrary, many development efforts had produced quite unexpected results; that, shortly speaking, with development, poverty grew, that people in the third world didn't become richer or didn't somehow embark on a general upward street, but that societies in the south polarized themselves. Some people became much richer and many others became much poorer. That was most forcefully, at least from a prominent political stage, expressed by McNamara in his famous speech in September '73, before the World Bank Assembly in Nairobi, where he drew that conclusion saying, we have to acknowledge that poverty has even increased and that development leads to the rich getting richer and the poor getting poorer. Now this acknowledgement, this admission, if you want, however, did not lead to what you would expect, that one would have abolished or abandoned the politics of development because they had failed. No, it led to another operation. It led to the extension of the concept of development and immediately McNamara already introduced a new

concept. He talked about rural development, about equitable development. So one dealt with the failure of development by extending the meaning of development. It was as if you have a building and now you see the building doesn't really fit and you put an annex to it, but the old building still stays there. You just put an annex to it--a second entrance, if you want.

David Cayley

This building of annex after annex is Sach's paradigm for the history of development. Development theory, in his view, has become something like the Ptolemaic astronomy of the Middle Ages. One deals with the fact that the theory doesn't really describe the motions of the planets all that accurately by constantly adding new epicycles to their orbits. Eventually the theory becomes meaningless.

Wolfgang Sachs

Whenever one noticed failure, destructive effects of development, the concept was extended. It exploded. And it ended up that development included both the injury as well as the therapy. So it was development to bring big dams to India in order to increase the production of electricity, as it was development to heal the wounds by working with the tribals there, who had been driven out of their land through this big dam. So the injury was called development and the therapy was called development, inflicting of wounds on an indigenous population, as well as healing these wounds. So development becomes a word which doesn't say anything anymore. It means one thing and it means also the contrary. This pattern I would now say has been maintained until the eighties and now in the middle of the eighties the rise of sustainable development as the new catchword certainly signals a new age of development. Again, in the eighties it was increasingly recognized that conventional development leads to environmental disruption. Now again, the consequence out of that recognition was not to finish with the business of development, but to extend development, to keep on a politics of growth and the conventional politics of development on the one hand, and on the other hand now also to take care of the environment, to invent new methods, to deal with problems of resource management, problems of environmental dislocation, problems of pollution. So for that reason now you have the Brundtland report, which can call itself a report on environment, but at the same time call for a five to

tenfold increase in the world GNP over the next twenty, thirty years. So again the same logic is at work. And in this case it is also nicely caught in the word itself. It is an oxymoron to talk about sustainable development, because, if you want development, then if it has in any way the same or a similar meaning to what it used to be, it means non-sustainable. And if you want sustainability, it's very questionable that you can have development.

David Cayley

By the time we get to sustainable development, we're a long way down a chain of consequences, where each new phase of development in a way is cleaning up the last phase or absorbing some new contradiction into this growing amoeba, as you have called concepts like development. Even if one accepts that's true, however, by the time you get that far down the chain, is there an alternative?

Wolfgang Sachs

Well, I think that the Brundtland report wants to have their cake and eat it. On the one hand, they would like more or less to continue the politics of development and growth, which have been around since the time of Truman, they would like to continue the enterprise to boost the GNP and to close a little bit the gap between north and south by bringing the south closer to the north and on the other hand they would like to do that in an ecologically peaceful way. And I think both are not possible. So if you want the perspective beyond the Brundtland report would be somewhat, what I said before about development, to admit that the ideology of development today is obsolete, that it doesn't make sense to talk about catching up, that the south catches up with the north, that it doesn't make sense to look for the future of southern countries by looking to the achievements of northern countries and that only a politics of wide diversity, a politics of manifold experimentation, an attempt to spell out the path out of the history and tradition of each country can perhaps--I don't say automatically--but can perhaps open up ways which make it possible to live in a decent manner on this planet, and to live in a decent manner without falling into the hands of a global, ecological management.

David Cayley

The alternative to development is usually portrayed as being stagnation, that is, one either develops or one

underdevelops. You're saying that the opposite term is a culturally directed... one can't say development then, but a culturally directed social project.

Wolfgang Sachs

Well, first of all, there is not one development. There can only be many, many, many developments, but then it doesn't make sense to talk about development anymore. There are different, if you want, projects, ideas, directions to follow, different guiding images and ideas. And they have already been there. If you think, *Lapata*, early this century, led the Mexican peasants to a revolution under the slogan and under the image of *ejidos*, the hope was to create *ejidos*, which means a certain form of collective agriculture, a certain way of independent, collective communities, which are based on the Indian tradition. So it was an idea of what the good life is about, which came out of the Mexican history. The same was true for Gandhi. Gandhi's key word was *swaraj*, which meant a mixture of inner independence and outer independence. It was an idea which, again, had to do with the thousands and thousands of villages in India, which, for Gandhi, were looking for a way to be more villages and to conform more to their own ideas. Now I would say the contrary to development is... let's say global experimenting, I think is for me the contrary to development, an experimenting which is more and more indispensable, again, because we are in a situation where the one royal path towards higher development doesn't exist anymore. Now each country in the world is faced with the question where to go and no country knows a compelling answer. So all countries are in search. So the only thing you can do is, if you want, to broaden the possibilities, to let flourish what is there, to increase the richness of forms of life we have in this world.

David Cayley

It seems evidently true that, as you were saying, the royal road appears to be crumbling. As awareness of some kind of environmental crisis intensifies, it seems the dead end becomes more evident, but this doesn't necessarily mean that the lure of the modern then disappears, does it?--that everyone suddenly wakes up from the dream?

Wolfgang Sachs

It is clear that the most important effect of modern technology is a symbolic effect. What I'm saying is that

whatever we here in the north have created has a tremendous impact on the imagination of the peoples of this world. So even if they have no means to live like that, their heads are full of images of that world and the images they used to have in their mind are fading away. So they are going to be stuck in that dilemma on the one hand, having their minds set on the style of life in the north, which is projected to them in the idealized fashions of television, and on the other hand, not having the possibilities, the resources, to do that. How to get out of that impasse is a deep historic question, which will determine not only the end of this century but also the next century.

David Cayley

So when you say that development is over, that you're doing an archeology in a ruins, is this quite strictly true?

Wolfgang Sachs

Well, I do it in a polemical fashion. I don't make an empirical statement, but I would like to clear the possibility for debate or for a fight, if you want.

David Cayley

Wolfgang Sachs of the Institute for Advanced Studies, in Essen, West Germany. Wolfgang Sachs calls development an amoeba word, a plastic, verbal element which can be used to lend weight to statements which no longer have any precise meaning. As such, he considers that it's become a hindrance, rather than a spur, to creative thought. David Brooks disagrees. He thinks that sustainable development can be given a precise, operational meaning. Brooks is a long-time environmentalist and a founder of the Canadian branch of Friends of the Earth, Energy Probe and the federal government's Office of Energy Conservation in the early seventies. Today he's the associate director for environmental policy in the social sciences division of the federal government's International Development Research Centre. We spoke in Ottawa recently and he told me that he thinks that the U.N.'s Brundtland Commission provides the necessary framework for rethinking development.

David Brooks

The Brundtland report, for all of its deficiencies and fuzziness and wanting-to-eat-your-cake-and-have-it-too kinds of statements about development, was a path-breaking document. The very fact that it was written by

politicians and not by environmentalists, the fact that it was a consensus and not just an east-west consensus, which is turning out to be relatively easy, but a north-south consensus, made it important and, within the notions and the way it's been developed since then by both ecologists and economists and political scientists, we're getting to a framework, an operational framework that is something you can use to decide what you should do tomorrow and next year and the year after to make policy choices that's far, far ahead of what was available at the time of "Limits to Growth," which is a relatively important ... I mean again "Limits to Growth" was seminal--it gave us a term, it gave us a concept--but it was naive in its operational implications. In describing the policy conclusions of "The Limits to Growth," Dennis Meadows and others used to often use the metaphor of a ship sailing toward an iceberg and they would say that when the lookout sights ahead and identifies an iceberg, the captain doesn't simply say, "Look you're a worrymonger," and dismiss it. What the captain does is stop the ship. I don't think that analogy makes any sense at all. A much better analogy: we're like an airplane flying in some mountains and when our navigator spots a mountain directly ahead of us, there are a number of things we can do, but one of them is not to turn off the engines of the airplane. You don't stop the airplane in mid-air. And modern economies are much more like that. You just can't stop them. You can adjust them here and there, you can gradually build in new goals, you can move them to the right, left, up and down, but you certainly don't just turn them off. The Brundtland Report clearly recognized that. I don't think they carried it far enough. I think they weren't adjusting the direction of the airplane adequately enough. It did provide though the basis for saying we can make much more significant changes and in fact we will have to make more significant changes.

David Cayley

Can you sketch in for me what you think happened between the Stockholm conference, "Limits to Growth" era and the Brundtland Commission? How did the environment-development discussion evolve over that period, as you understand it?

David Brooks

Essentially what happened, what was formalized by the Brundtland Report was a shift of cause and effect. At the time of the Stockholm meeting, the emphasis was on

what the economy could do to the environment. That is as you grew, you were going to have adverse effects on the environment. In effect, it was the formalization of the need for a, let's say, environment impact assessment. It doesn't ask much about what you're doing. It says, whatever you're going to do, just do it better, from an environmental perspective. By the time of the Brundtland Commission, for a variety of reasons, but in both developed and developing countries, we'd suddenly realized it's not the economy that's affecting the environment, it's the environment that's affecting the economy. We had flipped the whole thing around and people were realizing we had to ask not only how to make marginal adjustments in the system, but where was the system going? How big could it get?

David Cayley

What was it that had flipped the discussion around?

David Brooks

A couple of things. One was essentially the failure of development, the recognition in the poorest countries that they were limited by environment, that as their environment deteriorated, because of naive attempts at development, they were in fact worse off. Second, the global issues had become more apparent. No one could avoid by that time, no one who was working on these issues could be unaware of the problems in the oceans, of the growing concentrations of gases in the atmosphere, of the effects of desertification, deforestation. They were now global phenomena. There is simply not enough room in the available carbon-dioxide space, we might say, in the atmosphere, for developing nations. We have to reduce the amount of environmental space we're taking up in the world, in order to let developing nations take up a little bit of theirs. I think it's that kind of trade-off that is implicit in the notion of sustainable development.

David Cayley

For you sustainable development is a paradigm shift. You've said that.

David Brooks

Yes.

David Cayley

Why is it a paradigm shift?

David Brooks

It's a paradigm shift because what is important is no longer economic growth, but development in the sense that Herman Daly uses the term, which is a realization of potential. It's a quality concept. In effect, we shift the emphasis from per capita gross domestic product or per capita monetary income, or something of this kind, to quality of life.

David Cayley

Have the big organizations that have adopted sustainable development in fact undergone a paradigm shift or have they simply put the concept on the letterhead?

David Brooks

Neither one nor the other. It would be saying too little to say they've just put it on the letterhead, but it would be saying an awful lot too much to suggest it's a paradigm shift. No, I think what's happened is that they've caught up with 1972 or 1972 has caught up with them. Most of the organizations that are adopting sustainable development have added environment to what they otherwise would have done. They aren't questioning yet what the meaning of development is. And very few organizations are, but it would be a mistake to discount the changes that we are seeing. For me they don't go far enough. I think for most environmentalists they don't go far enough. Environmental impact assessment is a very important step and it'll move from projects to groups of projects, it'll move to country assessments, to policy assessments, and at each stage we'll be bringing more and more in. You take those gains. You don't pretend that they're the answer, but they are very important. There are very few of these steps that are counterproductive.

David Cayley

There is another view, which I associate with a group that I would call conservative in this debate. The one who has, I think, been the most interesting to me, if not influential, is Ivan Illich, who defined development nearly thirty years ago as the war on subsistence. He set tradition and culture against development and saw development basically eroding culture, eroding people's capacity to cope and to deal with their environment as they have traditionally done so. Now for that point of view, I think sustainable development is counterproductive. It isn't just one inadequate step on the road to reform, but it's something completely

different, something more sinister. It's a further colonization of culture by economics and ...

David Brooks

I think there are other people like Vandana Shiva ...

David Cayley

Vandana Shiva I think would be in that group. Teddy Goldsmith ...

David Brooks

Yes.

David Cayley

How do you see that?

David Brooks

It's a very important perspective. It's one that I agree with on the one hand and don't agree with on the other hand. Certainly the protection of subsistence options, the protection of cultural diversity, is critically important and there are many things we can do to promote it. The problem is we often don't have the land space. We often don't have the ecological room to do those things. I would take the arguments of Illich and Shiva and Goldsmith very seriously. It means that you probably make development projects, even sustainable development, even what I would think of as good development, as small as you possibly can. You give as much of the control as possible to the community, but the community is not going to be uniform. I don't want to fall into the trap or be seeming to fall into the trap of making rural life in villages seem like some kind of ideal and I think some of these authors sometimes do. I remember Ivan Illich's book extolling the virtues of the bicycle. I don't think he's travelled around Winnipeg very much in January. And similarly, life in many villages was pretty difficult. It was not easy, even for those groups, women and children, ethnic communities, that are often the focus of the objections to conventional development. The balance isn't easy and it's not simple and there are no general rules.

David Cayley

If you take Vandana Shiva's work, let's say, I don't understand her as saying that this life was easy. What I understand her as saying is that the alternative that was proffered to people was no alternative. It didn't actually exist, this neutral, secular, degendered space that was

supposed to open up before people. In fact it was a mirage. So what happened, and I think this was also what Illich meant by calling development "a war on subsistence," he meant that what would be the result would be what he called "modernized poverty." I think neither writer denies people the right to choose their path.

David Brooks

Yes, I think they're saying that the development that they were seeing not only restricted options for people, rather than opening them, but in fact it took the most vulnerable members of society and made them even more vulnerable. Again, I think the objects of sustainability, when you start to take sustainable development in its broader concept, not the one that focuses just on natural resources, what has been good development, the kinds of development that focused on people, then I think the options are there for differences.

David Cayley

The question that I want to raise then is what is development? It seems to me that if you trace this term back, as writers like Illich have done, it comes into general use in the late forties with Truman, who for the first time identifies virtually the whole non-European world as underdeveloped areas. Now there are certain assumptions that are made at that time and seem to become accepted almost overnight. But the main one, it seems to me, is that there is some universal, homogeneous process that can be called development. Now this then goes through a whole series of permutations as it fails and is redefined and it fails and it's redefined, and it fails and it's redefined. Right? Now a cynic would be inclined to say why not abandon this misbegotten attempt to postulate some universal, homogeneous process called development and recognize that it was a failure and that in fact we can't live without some culturally generated notion of the good which directs us.

David Brooks

A local, culturally sensitive notion of the good does not seem to me to be incompatible with sustainable development as I understand it.

David Cayley

It may be incompatible with a hundred million dollars

from the World Bank, which ...

David Brooks

Absolutely. And I think as soon as you're talking in those terms ... that's why I said, the World Bank hasn't accepted the paradigm. They're still doing the same projects with environment ... they're smoothing out the edges with environment, avoiding the worst ill effects, but it's not sustainable development. I still don't think they value local knowledge. I mean a hundred million dollars--just the scale drowns any local ... we should be dealing with projects of fifty thousand and a hundred thousand and even CIDA can't deal with it. They want something in the millions. The real danger of development is that it assumes a common set of goals, probably also a common set of processes, but it also suggests that western scientific notions will prove to be what everyone's been waiting for in the developing world. They just don't realize it yet, so we will bring it to them. Obviously, anyone who's been existing for hundreds of thousands of years has been living in a form of sustainable development. Sustainable development is what was there. We're trying to get to a form of sustainable development that leaves what was there or level that leaves what was there, but at a sufficiently higher income level in some sense. It may not be higher monetary income, but a sufficiently higher income to give people real opportunities in a world that is increasingly crowded, that is a world of interconnections, and I think both some of those who suggest we should just withdraw from development or that everything can go on as before are forgetting number one, simply the numbers of people involved. I mean population is a problem. And second, how many of those people are living in cities? So immediately they have broken the links of a self-sufficient, independently operating society. You can't just walk away from it at this point and I think one of the answers to the cynics is what happens then? Suppose we close down all the multi-lateral banks and the bi-lateral aid agencies, I think it's a recipe for political and ultimately military conflict--initially political within and ultimately military between north and south.

David Cayley

It seems to me one makes these choices as best one can. I think perhaps it would be good to end this whole discussion about development and the reason I think would be good is that, obviously, we would go on

talking.

David Brooks

Yes.

David Cayley

We would not then end everything that has been encompassed by that discussion. We would try to encompass it differently, with new words, new approaches, and I think you're saying that's what you want to do under the banner of sustainable development and I'm saying is that prudent when in fact you want to reject practically everything that has happened up till now under the name of development? Wouldn't you be more ... I don't want to say honest, but more revealing of your intention if you spoke about something other than sustainable development? I mean you can say with Daly, "I don't mean growth by development. I mean realization of potential." But then, like Humpty Dumpty, you're saying the words are going to mean what you want them to mean, but what they have meant is pretty well growth.

David Brooks

Development has, for many people, meant growth, but it's not what it really means. We're saying that they're the Humpty Dumpties. We're using the word in its real meaning and I don't deny that it's radical. That's what a paradigm shift implies. I would be quite happy if development budgets, obviously not IDRC's budget, but other, the real development budgets were cut substantially. I don't think we need to spend much on concrete and steel and big earth-moving equipment. That's where the problems have lain and yet there are good development projects. I've seen good CUSO projects; I've seen good Oxfam projects. I remember some water- development projects that CARE Canada was doing. They don't even start building anything until they've been in the village for a year, until people know what they can do with water, and what they're going to do and where they want the lines to go, and what it is that water will do for them and how they'll manage the water system. All of that happens before you start building a water system for a village. I think CARE Canada's model was a three-year process for each village and it's only the middle year that actually involves pipes and a little bit of concrete and some water pumps. The rest of it is talking, discussing, and letting the community find out how it's going to run that thing.

And you can do much the same thing with local electrical. Electricity does not have to come in from wires from a central utility. We may be operating systems with a capacity of five to ten kilowatts just improving local industry, making it much more efficient. Now when I say efficiency, I'm introducing a western notion. I agree. I don't think that implies that you disparage local knowledge. It does imply that you are changing something. So the only alternative is to pretend that the rest of the world isn't changing and that you can isolate some fraction of it.

David Cayley

Wouldn't the alternative be to say that the rest of the world can change outside of our tutelage within something called development?

David Brooks

The rest of the world is changing.

David Cayley

Understood. What I was saying was let it change, but if development implies tutelage by western agencies, governments ...

David Brooks

Governments and non-government organizations ... I think it implies providing options, providing alternatives, suggesting different ways of doing things and letting the communities decide which of those methods to opt for, which of those methods to build into their system of operating. It's much like growing trees. Within limits, there's no reason not to experiment with new kinds of seed, with new kinds of trees. There are reasons, for example, to import trees from other areas and try them out. What's a mistake is to try them out on a large scale and to design systems that always favour the richer farmers. You can think of systems that favour the poor farmers, systems that can be operated with minimal capital and with the labour inputs that they have, and look for those kinds of options. Look for options that are efficient at small-scale, not at large-scale systems that work well with more rather than less labour inputs. But those may be somewhat different from what has been there before and as long as the local community has the option to accept or reject them, I think they're worth talking about.

David Cayley

David, thank you.

David Brooks

Okay.

David Cayley

David Brooks of the International Development Research Centre. During our conversation, I alluded to a passage in Lewis Carroll's *Through the Looking Glass* in which Humpty Dumpty says to Alice, "When I use a word, it means just what I choose it to mean, neither more nor less." It seems to me that the difference between David Brooks and Wolfgang Sachs, whom you heard earlier, does come down to just this question. Can development be made to mean something entirely new or will it continue to mean what forty years of history have made it mean? This is a question not just of a word changing its meaning, but of a vast, international bureaucracy changing its practice. Whether big development institutions like the World Bank can change and how they've affected local communities up till now will be my subject next week when I talk to Pat Adams, the head of development watchdog Probe International.

Lister Sinclair

On Ideas tonight you've been listening to the first program of a four-part series called "Redefining Development." The series is written and presented by David Cayley. Production assistants: Gail Brownell and Faye Macpherson; archivist: Ken Puley; technical direction: Lorne Tulk. The executive producer of Ideas is Bernie Lucht.

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Lister Sinclair

Good evening. I'm Lister Sinclair and this is Ideas. "Development," Jane Jacobs once said, "can't be given." It's an organic expression of what a society is and its preconditions are too complex and various to be conferred by one society on another. Nevertheless, for forty years, western societies have been trying to give development to the countries of Asia, Africa, and Latin America. During the first half of this period, international development was carried out with a crusading sense of missionary purpose. You can hear it in this excerpt from U.S. president Harry Truman's inaugural address in January 1949.

Harry Truman

We must embark on a bold, new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas. More than half the people of the world are living in conditions approaching misery. Their food is inadequate, they are victims of disease, their economic life is primitive and stagnant. Their poverty is a handicap and a threat, both to them and to more prosperous areas. I believe that we should make available to peace-loving peoples the benefits of our store of technical knowledge, in order to help them realize their aspirations for a better life.

Lister Sinclair

Harry Truman's projection of international development as America's global mission was renewed in the early sixties by Jack Kennedy with his creation of the Peace Corps and the Alliance for Progress. But by the late sixties, dissenting voices began to be heard. One of the first was Ivan Illich. He called development a war on subsistence and predicted that it would undermine people's capacity to cope with their environments in traditional ways without offering a real alternative. The attempt to transplant western institutions, he said, would produce not western-style development, but social polarization with the majority forced into a situation of modernized poverty far more painful than traditional subsistence. During the seventies, parts of this critique began to be picked up by environmentalists. They noticed how big dams often displaced whole communities, how export-oriented agriculture stole the best lands from food production for local consumption, how commercial logging disrupted traditional harvesting of forests. By the 1980s, even the big development banks had to recognize the force of this critique. In May 1988, World Bank president Barber Conable formally admitted that many World Bank projects had been environmentally destructive and pledged a new, green future for the bank. One of the people who has led the campaign to bring the big development institutions to account has been Pat Adams, the executive director of Toronto's Probe International. Again and again, she has pointed out the damage done to both democracy and ecology by development aid. Protecting the environment, she has argued, means, first of all, protecting the people who subsist from it.

Pat Adams

I think we must always remember that when a project is going to harm the global environment, it's first going to harm a local environment. There are always people in a particular area who are going to be most threatened and first threatened by that project. And so I think we have to recognize that rather than there being a divergence of local interest from the global interest, in fact there's a convergence, and if you give people at the local level the power and the tools to protect themselves and their communities, then the global economy and ecology will look after itself.

Lister Sinclair

Tonight on Ideas you'll meet Pat Adams in part two of our series on redefining development. The series is written and presented by David Cayley.

David Cayley

A few weeks ago, External Affairs Minister Joe Clark received a copy of a new book published by Probe International. It was called *Damming the Three Gorges: What the Dam-Builders Don't Want You to Know*. The book concerns a massive dam which the Chinese government proposes to build on the Yangtse River, a dam which will require the relocation of more than a million people. The fourteen-million-dollar feasibility study for the project was financed by CIDA, the Canadian International Development Agency, supervised by the World Bank, and conducted in secret by a consortium of Canadian utilities and engineering consultants, including B.C. and Quebec Hydro. The consortium made a thirteen-volume study, which endorsed the project. Only a summary was released to the public. Probe International immediately petitioned for the release of the entire study and, after prolonged wrangling, received a somewhat censored version of it in April of 1989. Probe then invited ten internationally recognized experts to make an independent evaluation of the consortium study. This resulted in the volume forwarded to Joe Clark. It roundly condemned the feasibility study, both on the grounds of conflict of interest -- members of the consortium would be in line for contracts if the dam proceeded -- and of negligence in the assessment of the dam's human and environmental consequences. The consortium's study, said one of the book's contributors, Doctor Vaclav Smil of the University of Manitoba, was neither engineering nor science, but "an expert prostitution, paid for by

Canadian taxpayers." "We regretfully conclude," said Probe International's director, Pat Adams, in her accompanying letter to Joe Clark, "that the Canadian government's commitment to sustainable development and to respect for the rights of third-world citizens is hollow." The attack on the Three Gorges dam and on CIDA's role in bringing it nearer fruition is typical of the work of Probe International, which describes itself as a public-interest research group, monitoring the effects of Canadian aid and trade policies on the people of the third world. Pat Adams is the executive director. She believes that, through the efforts of organizations like Probe, development aid is now questioned much more seriously by the public than it once was.

Pat Adams

I think there has been quite a transition over the last ten years from a general acceptance and support for the development aid agencies and the concept of development in the third world to improve the standards of living of people in the third world and I would say, over the last decade, there has been a loss of innocence. I think the public in the first world and in the donor countries in the developed world has started to see development for what it is. And one of the things that made the difference was that we started receiving some very, very nitty-gritty details of the implications, both environmental and human implications and consequences of these very, very large development projects, which were being designed in the capital cities of the industrial countries and in the borrowing third-world countries as well. And it was really this amassing of a huge amount of evidence of development projects that had gone awry and the reason that they are going awry is because they are not consistent with the wishes and the choices for the kind of life-styles and use of physical resources that people in the third world want to make. You know, I think we have to recognize that most third-world governments are not elected by their people and, therefore, when they choose a project, such as a hydro-electric dam or a road-building scheme, we should not automatically assume that that is the choice of the people. In fact, we should assume the opposite because there are no checks and balances, or very few, in these countries to ensure that the projects that are chosen are really the choices of the people. So it was really the collection of a huge amount of information and there was another significant thing that happened and that was the improvement in communication technology. More and

more groups in the third world, really citizens' rights groups, who were either defending communities because of the environmental consequences of a project that they were facing, or the social consequences or the economic consequences, would find us. They would find us somehow. They would organize themselves, they would try to fight these projects, and then they would say, now it's Canada that's financing this project. Who in Canada can help us? They, of course, realized that we were in part responsible for these projects and they found us. They found us through the churches, they found us through conferences, they found us through friends of theirs who happened to travel. They found whatever way they could to communicate with us. And for thirty-five years the development institutions, institutions like CIDA, the Canadian International Development Agency, the World Bank, have been able to spend money in other countries without us knowing what the consequences were, because we couldn't communicate with the people. And that changed in the last decade. All of a sudden we started to get a lot of information about the consequences and we've realized that there are grass-roots citizens' groups all over the third world that are just like the environmental groups and the citizens' groups in this country who are trying to defend their communities from unwanted development, from unwanted investments in the use of their resources. They want to make the choices, just as any Canadians would want to make the choices about how our own environment is used.

David Cayley

In 1985, Pat Adams and her colleague Lawrence Solomon brought out a book about what they were learning, called *In the Name of Progress: The Underside of Foreign Aid*. The book pointed overwhelmingly to the corrupting effects of development assistance and the way in which foreign sponsorship has allowed governments to ignore the wishes of their own people and commit follies they could never otherwise have afforded. Pat Adams is now working on a second study called *Environment Held Hostage: How Debt Is Affecting the Third World*.

Pat Adams

Gustavo Esteva, who I heard speak at a conference in Tunisia a couple of years ago, made a comment. He said, "In Mexico, we have really been enjoying the debt crisis." And of course that really caught the attention of everybody and everyone's jaws dropped, but a number

of us who were listening to him, who have worked in the environmental movement and have been fighting a lot of these big aid and so-called development projects, understood what he was talking about. I mean, it struck a chord with us, and he said that, essentially, money dried up when the debt crisis hit, banks were not prepared to lend more money to third-world governments, and that brought to a halt a number of very disastrous, so-called development projects. And sure enough, this is what the environmental community had been recognizing. I mean for years we have been fighting ill-conceived, ill-considered development projects, such as hydro-electric dams in very sensitive areas that forceably resettle hundreds of thousands of people. The nuclear-power expansion program in Mexico, for example, was also cancelled because of the debt crisis. They managed to finish two of their reactors, but just barely, and they cancelled a massive program that they had planned on embarking on. Hydro-electric dams all over the world were put on hold; road-building schemes, logging operations were cancelled, because there wasn't enough money to finance them. And I think what Gustavo Esteva said was something that we had all recognized but hadn't really articulated, which was that money is power. And when you lend money, when your commercial banks or your government lends money to another government, it gives them the power to use resources in a certain way and it gives them a great deal of independence from their own people. And this is something that the astro-physicist, the well-known civil-rights leader from China, Fang Lizhi said: that when his government, the Chinese government, is lent money from the outside world, it gives his government the power to be independent from the Chinese people. His government does not have to rely on the Chinese people in order to extract money to finance a lot of these big projects, and that's why he, for example, has called for a halt to all World Bank lending, all foreign-aid lending, except in the area of education, because he too articulated the same principle that Gustavo Esteva did and our colleagues in Brazil have articulated, which is that money is power, and when we lend money to their governments, we give their governments power against their own people. And for that reason, groups in Brazil, for example, have said to us, "Look, we appreciate your good will, we appreciate the principles and the concept behind foreign aid, we appreciate that you want to help us, but, quite frankly, what you are doing is you're financing our government

against us, so please just keep your money." And this came as a real shock to us, I think, at the beginning of this decade, and over the decade we've seen how money can be misused, and I think this is really what has changed the attitude towards the development institution, the institution of channelling what is now forty-five billion dollars a year to the third world.

David Cayley

I know you're working now on a history of the debt crisis. How did the spending bonanza that led to the debt crisis come about in the first place?

Pat Adams

There are a number of theories and the main reason I think that is recognized by everybody is that there was a massive re-ordering of surplus cash at the time of the oil crisis. What happened was the OPEC countries all of a sudden found themselves holding an awful lot of foreign exchange, which, of course, was being paid to them for their oil by countries like the U.S., all of western Europe, Japan, and of course the third world. So there was this huge chunk of money that all of a sudden found its way into the hands of OPEC member countries. They wanted to do something, of course, with the money, so they deposited it in the commercial banking system. The commercial banks then found themselves with an awful lot of money, and they, when they accept money as deposits, they then have to lend it out again, and so they did. They lent it out to the countries who were extremely short of foreign exchange and those were the countries in the third world. Now to what extent there was official encouragement from institutions like the World Bank, the U.S. government, the Canadian government, western European governments, we don't really know for sure. It's very difficult to sort that out, although certainly bank presidents, such as Mr. Ritchie from the Bank of Nova Scotia, have said that there was sort of a wink-and-a-nod, were the words that he used, that the commercial banking system got from governments in the western countries to make sure that this money got into the hands of the countries who were very cash-short and those were the third-world countries. So they embarked on an extraordinary, massive lending program, channelling billions of dollars to governments, many of which were military governments, almost none of which were elected by their people and over which the people in the third world had no control. In Brazil, the Brazilian congress

is now trying to track down the contracts for these loans that were made with commercial banks. They can't even get the contracts. You know, these governments were extremely unaccountable and of course the people in the third world, if they dared ask the question, "How much money are you borrowing and what are you doing with it?" they were very likely to end up in jail. So we can understand why they didn't ask those questions. So they had no idea what money was being borrowed in their name, as it was.

David Cayley

And what turned this lending into what we now call the debt crisis? At what point did it begin to be perceived as a crisis and why?

Pat Adams

Well, the crisis hit in 1982, August 12th, when the finance minister in Mexico phoned the head of the IMF, the federal reserve in the U.S., and said, "We're bankrupt. We can't pay our bills." And then the whole world really came crashing down. I think it was at that point that all of the banks realized how terribly vulnerable they were to a couple of countries in Latin America. They had lent out far more than they ever should have and their own financial viability was threatened if these countries could not continue to pay the money back. And indeed that's precisely what happened. So a number of rescue operations were organized by the IMF and they managed to get enough cash back into the hands of the Brazilian government, the Mexican government, the Argentinian government, so that they could continue to pay their bills. But at this point it was not new money. It was just new money was being lent in order to pay back old bills. So it was just a very elaborate recycling process that was going on and it was especially designed to keep calm in the international financial markets.

David Cayley

Pat Adams considers the debt crisis an environmental boon, because it has slowed down big development projects. In seeing development itself as the primary cause of environmental destruction, she dissents from the current conventional wisdom of, say, the Brundtland Commission. Brundtland argued that poverty is the main cause of environmental degradation and, therefore, only economic growth can save the environment. Adams disagrees.

Pat Adams

Most of the environmental damage that has been done in the third world, I would say in the last thirty, forty years, but especially in the last twenty years, has been caused by massive projects, such as hydro-electric dams, such as road-building schemes, cattle-ranching operations, agricultural schemes, that were financed with foreign money. Now the development institutions like the World Bank and CIDA really prefer to describe the environmental problem in the third world as being a consequence of poverty. I disagree with that. I don't think that the poor naturally destroy their environment. In fact, I think what has caused the destruction of the environment is very, very bad projects, but also really unsustainable economic policies. For example, in Brazil, there was a credit program for the agricultural sector which encouraged farmers to borrow money from the government at very low interest rates to purchase land with and then because of land-tenure regulations clear the land in order to establish ownership of it, and most of that land was in the Amazon. This was something that was very expensive to the government. They could only finance it as long as they got international financing for it and it encouraged a massive destruction of the Amazon rainforest. There were other projects as well. For example, the Balbina hydro-electric dam in Brazil, designed with help from a Canadian engineering firm, Montreal Engineering. They identified a site in the Amazon that has turned out to be a very bad site for a hydro-electric dam. It was not only a very flat area, but it turned out to have a couple of rather deep river valleys as well as ravines, which caused havoc when they eventually closed the floodgates and started to fill the reservoir. And apparently what the engineers did was they flew over the area to be dammed and they used aerial photographs to measure the top of the rainforest canopy and then they assumed a certain height of tree and then assumed that therefore that determined the topography underneath the forest canopy. Well, what they didn't know was they didn't know how the rainforest worked and they didn't realize that indeed the top of the forest canopy was hiding a bunch of these very, very deep ravines. Well, time came, they closed the floodgates for the dam and the water started to back up and what it did was it created a series of canals and the water flowed into these little ravines and created a series, in fact, fifteen hundred hilltops and, of course, the water spread everywhere and it spread to a much larger area than they ever expected. Now on these

hilltops the animals from the rainforest sought refuge and one of the residents described it as a most horrible scene. The animals who found themselves on these hilltops didn't have enough room and started to die and this resident described it as absolutely horrible and said that it was corpses on top of corpses on top of corpses. So that was just the beginning. Once they closed the floodgates, they also had not cleared the area of the trees and the vegetation that would now be under the reservoir and the decomposing vegetation caused the development of an oxygen deficiency, which led to the death of all the fish in the river. Not only did it do that, but it turned the water very acidic, so that the populations that lived around the reservoir now found themselves with intestinal disorders, skin rashes, vomiting, and there was a break-out of malaria, because often when you create very large bodies of water that are stagnant, then it creates a perfect breeding ground for mosquitos, which are the vector for malaria. So the ultimate insult of this project was that it cannot generate the electricity that they expected it would generate in the first place, because there wasn't enough water to go through the turbines to generate the electricity. Now the irony in all of this is that in 1985 an IMF, an International Monetary Fund austerity program, and an austerity agreement that they had reached with the Brazilian government had led the Brazilian government to cancel the Balbina dam. It was not completed until 1987. But the governor of the state of Amazonas, where the dam was located, objected strenuously, contacted the president of Brazil, and said, "I want this dam to go ahead," and there was, I gather, a great debate, and President Sarney eventually agreed that it would be exempt from the IMF austerity program. Now the IMF is the institution that the world loves to hate because it does require these austerity programs from third-world governments. But austerity programs are not always necessarily bad. In many cases, the money has been spent on projects that are not in any way sustainable, either economically or environmentally, and I think we have to take that into account.

David Cayley

So you're saying that essentially the debt crisis and the drying up of new money stopped a lot of projects that would have been damaging, but isn't there another side to it, that the hardship imposed on the countries created its own kind of ecological problems?

Pat Adams

Yes. That is certainly true and there are cases, for example, in Ecuador, where the logging regulations were relaxed specifically so that more logs could be exported, so that more foreign exchange could be earned, so that they could continue to pay off their foreign debt. There's no doubt about it that the debt crisis has hurt the environment in some respects. Also in Ecuador, for example, oil exploration has been carried on at great cost to the tropical rainforest and to the native people who count that as their home. There's certainly no doubt about it. At the same time, I have discussed this with colleagues in Brazil and I have asked what would happen if there were no debt crisis, would the Carajas mining operation in the northeastern part of the Brazilian Amazon, which is a massively destructive mining operation that's destroying about fifty-eight thousand square kilometres of tropical rainforest, would a project like that not go ahead if there were no debt to be paid back? And they thought about it, and they said, "No, it probably would go ahead, because our government wants to export minerals, logs, whatever we can export in order to earn foreign exchange, because then they want to import goods with that foreign exchange." So I think that there's always going to be the desire amongst several governments, all governments for that matter, to earn foreign exchange, and they will sell off whatever they can of their country's assets in order to earn that foreign exchange. And the only way to restrict them from doing that is really to empower the people whose resources are being pirated. That's the only thing that will stop governments and that's true of all governments, not just third-world governments, but our governments as well.

David Cayley

So you're saying for example in Africa or Central America, where lands have been taken for export crops and subsistence has been injured by that, that you think that probably would have happened anyway under present political circumstances.

Pat Adams

Yes.

David Cayley

That it's not driven by the debt, it's driven by other prices.

Pat Adams

That's right. And it was happening before the debt. Indeed, that's where the debt came from. The money that was borrowed was borrowed to invest in hydro-electric dams, so they could mine the bauxite, so they could process it into aluminum, so they could export it for more foreign exchange. The problem came in that the money was borrowed for projects that were not carefully considered. You know, on paper they sort of looked okay, but we've managed to get a few of those papers in the last ten years, we've managed to get a few of those feasibility studies, and we've realized that the emperor has no clothes, that these projects never made sense from the beginning. And that's where the debt came from and we have to recognize that. If we turned the taps back on, if we could do away with the debt today, and turn the tap of money back on, I can guarantee that in ten or twenty years there would be a new debt crisis, because that's where it came from.

David Cayley

A lot of people are calling for forgiving the debt as a way to get development back on track, the way to solve, say, the crisis of Africa. What do you think, in more detail, would be the consequences of debt forgiveness?

Pat Adams

I have no problem with debt forgiveness. I think that probably the vast majority of today's 1.3 trillion dollar debt that the third world owes to us was contracted under fraudulent circumstances. And I think it is really outrageous that the people of the third world were never party to these contracts, never had the means of due process to control their governments, and so on, before they embarked on these contracts. I think, in principle, for that reason, that they should not be expected to be responsible for these debts. However, if we did away with the current debt and could somehow conjure up lots of new money, as many of the development institutions are calling for, there are no guarantees that the money would be spent any better today than it was spent twenty years ago. A lot of the money would go into the same crazy projects that made no economic sense, that hurt the environment, that destroyed the environment of millions of people, and, ultimately, it is usually money that is lent--it's not a grant--and the people of the third world would once again have to pay that money back. As long as there are no democratic checks and balances that a people can have over their government, there's no

guarantee that our loans to them are either going to be properly spent or put in the right kinds of investments.

David Cayley

You've written about the debt crisis. I remember a piece in *The Globe and Mail*, maybe a year ago now, in which you spoke openly about the fact that the debt crisis may have done a lot of good, in a sense. It may have stopped a lot of bad things from happening in any event. I gather that you've created a lot of controversy by that stand. What's been the nature of the controversy?

Pat Adams

Well, the controversy has been, I think, unthinking, and I also think missed the point. The fact that the debt crisis has stopped ill-considered projects that destroy environments, destroy the livelihoods of people, is really a perverse consequence of the debt. To use the debt situation to control the expenditure and investment of money is a crazy way to do it. Far better ways are to use democratic mechanisms to control the way governments borrow and spend money. But the fact remains when you have so many governments which are unaccountable to their people, cutting off money to them in fact restricts their ability to invest in very damaging projects. Now that is not to defend the debt as a way of controlling these investments. It is a consequence. We just have to accept that that is the result. But there's a very important lesson in that and that is that money is power and that if we're going to lend money to governments, we have to say to those governments, "Demonstrate to us that this investment is consistent with the wishes of your people."

David Cayley

But how on earth could such an assurance ever be given or gained? I mean, what if the government of Brazil were contemplating lending money to Canada for the James Bay hydro-electric phase two? Would they judge that the people of Canada wish that to happen, or would they look at the fact that the people who are going to be flooded out don't wish it to happen?

Pat Adams

Yes. You raise a very important point. I think that what we have to start by doing is not setting elaborate review procedures for these mega-projects, which go on in this country and in the third world, but we have to

start by recognizing the primary rights of people in all of our countries of the world. In the case of the James Bay, the Cree are participating in federal and provincial review procedures because they have to, not because they want to. As far as they are concerned, it is their land. And as far as they're concerned, this should not be a subject for discussion, as I understand their position. As far as they're concerned, they don't want the project to go ahead and therefore it should not be a matter for discussion by any review hearing. And I think that we have to do the same thing for people in the third world. We have to, for example, start by recognizing that you cannot forceably resettle communities, ever. If a community wants to move and sell their land to a utility so that they can flood it with a hydro-electric dam, well, okay. But the point is that we have to recognize the land rights, we have to recognize the property rights of citizens all over the world. And when we start to recognize those rights, then they will start to protect the environment. There's a very interesting and tragic case in India, a site called Singrauli, which is the site for what may be one of the world's largest energy and industrial plans. There are twelve open-pit coal mines, there are coal-fired electricity generating stations, and this industrial program has essentially devastated the community. For generations it was a heavily forested area. There were lots of wild animals on which the people in the area depended for their protein. It was a very prosperous farming community. And then along came the Indian government and its electric utility and said, "Well, we're going to create a reservoir here and then we're going to put all these coal-fired electricity generating stations around and put in all these open-pit coal mines," and within a decade the community has been destroyed, the area has been deforested, and it has now been described by the Indian press as equivalent to the lower circles of Dante's inferno. What has essentially happened is that coal ash has spread around the community. It's landed on agricultural land, creating a sort of cement-like substance which made growing crops very difficult. The women and children in this community have been forced to take jobs with the electric utility and they work at half the state wages. They work for twelve hours a day, and the incidence of death from respiratory illnesses is extremely high. The canal that feeds the coal generating stations leaks, it's damaged agricultural lands. It has essentially been a disaster. It is, as the people there have described it, hell on earth. The world talks with

great fear about what are we going to do when India and when China start to use more and more coal to meet their energy needs. We discuss these countries as if they have this insatiable desire to exploit the global commons and to destroy the world's environment. Well, that's nonsense. I think we must always remember that when a project is going to harm the global environment, it's first going to harm a local environment. There are always people in a particular area who are going to be most threatened, and first threatened by that project. In the case of Singrali, we had a community of five hundred thousand people who had been shuttled around and resettled and sometimes resettled over and over again just to make way for these projects, who are now suffering from death and illnesses caused by the development scheme. They were the world's first line of defense and yet their rights were not recognized. They had no right to defend themselves. They had no right to say, "No, we don't want an open-pit coal mine here, we want to carry on with our agricultural lifestyles. No, we don't want a coal-fired generating system here, because that's going to give us respiratory illnesses," and so on. They didn't have the right to say that. They just had to live with it. And had they had the right, had their property rights been recognized, had their environmental rights been recognized, not only would their community have been saved, but the world's environment would have been better off. The Singrauli site is one of the largest point sources of CO₂ emissions in the world. And so I think we have to recognize that rather than there being a divergence of local interests from the global interest, in fact, there's a convergence. And if you give people at the local level the power and the tools to protect themselves and their communities, then the global economy and ecology will look after itself.

David Cayley

I believe you. But if you carry local autonomy to that point, would there be any economic development at all in the world? Can't you almost always identify somebody locally whose ox is being gored in any such development?

Pat Adams

No. I think what would happen is ... I believe that human beings and communities are always changing. I think people are naturally innovative, different communities change at different paces, some

communities don't want to change at all. And we all know the Mennonite communities and so on and they make a conscious, collective decision not to change. And that's fine—they're perfectly within their rights to do that. And then there are other communities and individuals who may want to change it. What societies have to do, and communities, is establish a decision-making procedure that protects the rights of each one of them individually and protects their rights as a community. When they have those tools, then some changes will occur, some innovations will be made. To my mind, that's what development is. Development is not when a government backs a corporation that comes in and says, "We want to put in a coal plant here," or, "We want to put in a hydro-electric dam here and we have the right to make that decision, how to use your land." That's not development. That's assault, but that's not development. And that's what has been happening for the last thirty years in the case of the third world. It's outsiders from Washington, from Ottawa, from the capital cities, who have been making decisions about how to use somebody else's environment. Well, you can't expect accountable decision-making when the people who make the decisions don't have to live with the consequences, not only the physical consequences and the environmental consequences, but the financial consequences as well. It's not an accountable system. There has been a total breakdown in accountability in the development process. Another example of that would be the case with Toronto garbage. As long as Toronto can find another community to take our problem, then there's no pressure on us to deal with our own problems, and as long as we can dump our radioactive waste on some other community, we never have to come to grips with the consequences of living with that. So that's why you have to set up accountable decisions. You know, take the case of Toronto garbage. I think if the city of Toronto said, "Okay, sorry, citizens, we're not going to pick up your garbage anymore," you would see a dramatic change overnight. You would see two and a half million citizens walking into supermarkets with plastic bags or paper bags or old yogurt containers and saying, "I'm sorry, I've brought my own containers. I don't want to purchase the stuff in all this packaging." You would see a dramatic change very quickly, because we would be forced to live with our own garbage. And when you're forced to live with your own mistakes and your own problems, then all of a sudden there's this wonderful innovation and people find solutions. People

will always find solutions. It's just that we have to have limits. We have to have limits placed on our activities and we have to have the rights of other communities respected.

David Cayley

This view seems to have gained you some sort of a reputation of a right-winger. Why do you think that is? Is it because you see solutions in law, in property rights, in well-established institutions, rather than through the creation of new service bureaucracies to address new environmental needs? It seems to me your solutions are always essentially simple and already available, although very radical in what they imply, and that we are now on the threshold of an era of environmental services, where development enters a whole new phase. It seems to me that you're fundamentally going against that grain with what you're saying.

Pat Adams

I think that our solutions are essentially decentralized. Our solutions are to put power into the hands of individuals and individuals as they want to organize themselves into communities. And when you do that you have to give up power. You have to say, "I don't want a central government making these decisions. I want local communities making these decisions." And that is in some cases not consistent with the conventional left wing. It's not autarchy, it's really decentralized decision-making and I think it's based on a respect for the good judgement of the average person. But in order to accept that, you have to accept that power is going to be devolved from a central government or from a central body. I think that frightens a lot of people. I think a lot of people feel as Eugene Black, who was an early president of the World Bank, felt, that the average person cannot make good decisions themselves, that there have to be these development diplomats and that they have to align themselves with the elites in third-world countries, because only they can figure out what is best for the people of that country. And to save the people of that country from themselves, they're going to have these experts making decisions for them. What we're saying is that the best expert is the person who has to live with the consequences of a decision and once you make those people accountable and you also give them the tools available, make them available to them, to develop their own communities themselves, then you will start to have sound decisions. You know, I think a

pulp mill, for example, which wants to establish itself on a river will have to seek the approval of all of the people in that river basin who are going to be affected by that pulp mill and I dare say that they will have great difficulty doing it.

David Cayley

Do you think that there could be a pulp mill under your scenario?

Pat Adams

Under the current circumstances, I doubt it, because I don't think the technology has been developed to do it, but once corporations know their limits, once they know that they're not going to be able to put these projects in place because it's not going to be acceptable to the local community, they will find alternatives. But as long as they're not obliged to find alternatives, they won't. As long as the people of Toronto can push their garbage onto somebody else, we will. It's these limits which have to be established. We have to lose our ability to create poisons for other people.

David Cayley

I like that way of putting it very much. You've been involved with a whole campaign to identify the human and the ecological costs of big development projects, and I suppose when the World Bank cancelled the so-called second power sector loan to Brazil, that was at least a symbolic moment in which you won an important victory. The bank itself acknowledged the case against the big hydro-electric scheme as it then existed in Brazil. What can happen now? Is a green World Bank a contradiction in terms? What can come out of this conjuncture?

Pat Adams

The World Bank is doing a very good job painting itself green. They are churning out an awful lot of rhetoric and they now are embarking on what they call the green fund, which is going to be about four hundred million dollars, from which they will fund so-called ecological projects. Now I think that it is impossible for the World Bank to be a green institution because the World Bank is a multi-lateral institution, is accountable to the people in no one country. So, for example, if they propose a project, say it's a hydro-electric dam, they may or may not do an environmental assessment. If they do one, they are not obliged to release it to the public or to peers

for peer scrutiny. Now that means they can get away with murder. They can get away with whatever they want. They can say, "Oh, we've done an environmental assessment and we have decided after doing this assessment that this project is sound and we're going to go ahead with it." Not only that, but they are not obliged to discuss the issue with the people who are going to be affected by the project and certainly they're a long way from ever giving these people a prior right to make the decision. So there's no way to make sure that their decisions are consistent with the choices and the wishes of the people in the third world. To give you an example of some of the problems that can emerge from this, the Canadian government financed a fourteen-million-dollar feasibility study for the Three Gorges dam in China and the World Bank was also involved in preparing it and making sure that it adhered to proper standards. Well, we managed through the Canadian access to information act to get a copy of it eventually, after a year and a half. We have just done a review of it. We sent it out to nine experts around the world, who have gone through it with a fine-tooth comb, and we have established and, I think, illustrated that there is just an extraordinary display of professional negligence in the preparation of this document. The consultants admit that the views of the people in the Three Gorges river valley on the Yangtse River who would be displaced by this project -- up to 1.2 million people -- their views are not so well-known about this project, but never mind, everybody will be happy. You know, it's okay to resettle this number of people. And there are numerous other flaws that are extremely distressing in the analysis of the potential for increased earthquake activity, in the potential for increased flooding, and so on. When you look at this document in detail, you realize that the corporations who were preparing the assessment have a real interest in seeing the dam proceed, because then they have a very good chance of getting the contracts to build the dam. So there's a very serious conflict of interest here and that leads to extremely flawed analysis. Now as long as this analysis is secret, there's no way to expose it. It's very difficult to illustrate how their interests are compromised.

David Cayley

The green fund that you mentioned, what would constitute an ecological project, as you imagine it? What potentially would be the uses of this money?

Pat Adams

One potential use would be reforestation and that, of course, is very dangerous because, whether you cut a tree or you plant a tree, you are affecting somebody's environment, and as one of our colleagues in India, Anil Agarwal, who's a well-known environmentalist there, has said that the aid institutions are very good at planting the wrong trees in the wrong places for the wrong reasons for the wrong people. And the most common reforestation programs are these massive eucalyptus monocultures which are popping up all over India, places like Thailand as well. Eucalyptus is not only very environmentally destructive, it actually absorbs a great deal of water, tends to really deprive agricultural communities of available water, chokes out agricultural crops, is not available, not acceptable to animals so you can't use it as forage, and so on. It's a very quick-growing tree and it's been primarily grown for the cellulose. So planting a tree can be just as damaging, as I say, as cutting down a tree and whenever you tamper with somebody's environment, whether you call it a green project or an environmental project or not, is irrelevant. The point is the people who are going to be affected have to be able to decide yes or no. Do they want their environment to be used this way?

David Cayley

I have a feeling that in your ideal commonwealth there is simply no room for this huge, international bureaucracy, that they can by definition do no good.

Pat Adams

Well, there are a bunch of rules that they should adhere to and I think it's going to be difficult for them to adhere to them, but I think, if they want to continue to exist, they have to, otherwise they're going to continue to finance very destructive projects at the expense of millions of people and at the expense of their treasuries, which is very dangerous. I think the international institutions look at public opinion, and they say, "Ah, public opinion is green now. Therefore, how can we be green?" And the only thing they know how to do is spend money, but as long as they try to spend money in ways that are not accountable to the people who are affected, it doesn't matter how green they try to make it. I mean the World Bank is afraid to talk to people. Why are they afraid to talk to people? Their job is to improve the lives of people in the third world. Well then, what are they afraid of? Well, they're a

multilateral institution. They're made up of governments. Half of their members are governments that don't represent their people and therefore the World Bank as an institution can't go in and talk directly to the people. Well, if that's the case, then we're going to have to close the institution down, because if you're spending money that influences the way other people live, then you've got to be accountable to them. You've got to give those people the right to say no and if they don't have the right to say no, then mistakes are going to be made—a lot of mistakes with very, very large consequences.

Lister Sinclair

On Ideas tonight you've been listening to a conversation between Pat Adams, the executive director of Probe International, and David Cayley, part two of a four-part series called "Redefining Development." The series is written and presented by David Cayley. Technical production was by Mike Furness. Production assistants: Gail Brownell and Faye Macpherson. Archivist: Ken Puley. The executive producer of Ideas is Bernie Lucht.

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Lister Sinclair

Good evening. I'm Lister Sinclair and this is Ideas. In 1987 the U.N.'s Brundtland Commission put a new term into general circulation: "sustainable development." The concept instantly caught fire. Our prime minister committed his government to the idea, the Canadian International Development Agency made it their policy, so did the World Bank. The trouble was no one really knew what the term meant. The Brundtland Commission made a stab at a definition. They defined as sustainable "development which meets the needs of the present generation without compromising the ability of future generations to meet their needs." But this only transformed the vexing problem of how to define sustainability into the even more vexing problem of how to define needs. If the problem of what sustainable development is has a solution, it may rest on the work of economist Herman Daly. For twenty years, Daly has been grappling with both the theoretical and practical questions that arise in trying to define sustainability. What is the proper scale of economic activity for a given society? How can ecological limitations be incorporated into economic theory? How can societies gain the benefits of free markets without being destroyed by their

unwanted side effects?

Herman Daly

Let's build for economic society the largest feasible playpen in which you can leave the child, the person, to be free. I mean if we run around always trying to correct individual behaviour every time somebody does something a little wrong, we'll go nuts. So just build an area within which the market and people can be free, but set the boundaries so that we can't hurt ourselves by overstepping and destroying the ecological niche in which we live and on which we depend. So if we can set those boundaries, we can rely on the market within those boundaries. But the market itself can't set the boundaries for itself. It needs collective, social, community action and coherence to set those overriding limits.

Lister Sinclair

Tonight on Ideas in part three of our four-part series "Redefining Development," we present a conversation with Herman Daly. The series is written and presented by David Cayley.

David Cayley

"There's something fundamentally wrong," Herman Daly once said, "in treating the earth as a business in liquidation." And yet, this is precisely how modern society has viewed the earth, as something to be used up, rather than husbanded or sustained. Endless growth and ever-increasing consumption are fundamental postulates of our economic science. The limitations of this approach are now widely evident. Adam Smith's invisible hand has become an invisible foot, Daly has said, inexorably kicking nature and society to pieces. But conventional economic theories can't get to grips with the problem. For this reason, Daly believes, we need a new economics. He calls his preferred approach a steady-state economics and he brought out his first book about it in 1971. There he posed the fundamental questions which have dominated his work. If economic society is to stop growing, at what level should it maintain itself and how is this to be accomplished? Last year, Daly brought out an ambitious new book called *For the Common Good: Redirecting the Economy Toward Community, the Environment, and a Sustainable Future*. The book was co-authored by theologian John Cobb. Daly and Cobb argue that we have now entered the era of what they call "uneconomic growth," a growth

which impoverishes rather than enriches, where "The faster we run, the behinder we get," as Alice says in *Through the Looking Glass*. They called for new, more sensitive measures of economic welfare, for a new economic anthropology which replaces the isolated human atoms of classical theory with the model of what they call "persons in community" and for a new sense of the absolute natural limits of economic activity. For many years, Herman Daly was a teacher at Louisiana State University. Today he's a senior economist in the environment department of the World Bank in Washington. I visited him at his office at the bank earlier this year and we began our conversation by talking about his most important teacher, Nicholas Georgescu-Roegen, with whom he studied at Vanderbilt University. Roegen's great achievement was to conceive economics in terms of the second law of thermodynamics, the so-called entropy law, and to point out how, in the light of this theory, economic activity inevitably degrades the environment.

Herman Daly

He was really interested in tying economics to its biophysical foundations and in seeing the influence of the laws of thermodynamics, particularly the entropy law, on how that constrained limit influenced economic life. He developed something that you might well call "bioeconomics" or "physical economics," without throwing out the social science part. I mean he didn't try to reduce value to energy or entropy or any such thing. Value has psychic roots, but it also has physical roots. Whereas neo-classical theory investigates the psychic roots in great detail, it totally neglects the physical roots and he set about correcting that. You can only burn the same lump of coal one time and you can't recycle the ashes into coal again. Maybe you can use them for soap or something else, but it's in a long dissipative chain, so there's no perfect recycling. I mean there's no recycling of energy at all, or, if you do recycle energy, it always takes more energy to carry out the recycle than the amount recycled. And materials recycling is never a hundred per cent complete and it always takes extra energy. So while it may be a good idea, it's not a free lunch and it doesn't get you out of the ultimate dependence on this entropic flow of matter and energy from the environment through the economy and then back to the environment as waste.

David Cayley

So having Roegen as a teacher, you posed the problem of the steady state to yourself right from the start?

Herman Daly

Yes, I did. Now he's never liked that. He's always felt that that was a point at which his disciple had somewhat deserted him or not taken him seriously enough. In a sense, of course, he's right, that there is no such thing as a steady state in the very long run. The entropy law is true. It's eventually going to run down. Well, my attitude is that's right, I accept that, but I still think there's a big difference between fifty years and five hundred thousand years, even though maybe in five million years it's all over with.

David Cayley

Why was it that the biophysical constraints were left out of classical economics?

Herman Daly

I think the reason is that economic theory developed at a time when the human scale in the total biosphere was relatively small and so it made a certain amount of sense to think of sources of raw material and sinks for waste material as infinite, or not really scarce. So economics abstracts from whatever is not scarce. And now the scale of the human economy has grown to where it's no longer a negligible force in the biosphere, so we have to change that assumption. And I suppose the other thing is a kind of pre-analytic vision of the nature of the economic process as an isolated, circular flow, a commodities exchange from farms to households, and factors go from households to farms, and it just kind of goes around and around in a circle with no inputs from the outside, no outputs to the outside. So this vision which you find in the first pages of any standard textbook is that of an isolated system. An isolated system has no environment. It has no points of contact with the environment. So from the beginning you abstracted from these kinds of things and it's pretty hard to bring them back in after you've developed your whole theory on the basis of this abstraction. When the environment comes along and hits you in the face, you have to deal with it as an "externality," which is why you see that word everywhere in economic literature nowadays--externalities, externalities. These are things that didn't really fit in the theory but they're too important to ignore, so we have to deal with them

somehow. So you do it in a kind of ad hoc fashion as externalities.

David Cayley

Is it also a question of displacing problems onto nature to avoid human rivalry?

Herman Daly

Oh, yes. I think if you look at one of the main reasons for growth it's to have more for everyone, so you don't have to share, because sharing brings about conflict and people don't want to give up anything, so you can just increase the total amount. And that means encroach more on the natural world, take in more materials and energy to divide up among people, and so that the big thrust for growth, I think, is to avoid sharing or to put it off for as long as possible.

David Cayley

In their book *For the Common Good*, Herman Daly and John Cobb accuse conventional economic theory of what they call "the fallacy of misplaced concreteness." The phrase comes from John Cobb's mentor, Alfred North Whitehead. It means essentially forgetting that abstractions are abstractions and reading them back into reality as if they themselves were something real. Daly sees this mistake as endemic to the discipline of economics.

Herman Daly

Let's suppose that economic activity were making a pizza, then economic theory would sort of abstract from the pizza one or two characteristics, in this case by analogy it would probably abstract the circular shape of the pizza and then economic theory would consist of statements about how fast the radius has to grow in order for the area of the pizza to double in a certain time, and then it reasons in these categories. And then along comes someone and asks, "Hey, what about cheese and anchovies and how much pizza is really enough?" And these questions are not easily answered put in the context of the geometrical shape of a pizza and so ...

David Cayley

The anchovies are an externality.

Herman Daly

They're an externality or they're kind of left out. So if you then draw conclusions about real-world economic

pizza-making from this theory, which only looks at the circular shape of the pizza, then that's going to be fallacious. You're going to say, "Well, we can have so many pizzas this size," and it'll turn out there won't be enough anchovies or something. You will have abstracted from all of these other things, like anchovies and cheese, and reasoned only in terms of the circular shape of the pizza. That's the fallacy of misplaced concreteness. I mean you've left those things out of your basic abstractions and then you draw conclusions that have to do with those things and frequently they're wrong.

David Cayley

Does the fact that economics presumes first to be a social science and then to be an independent discipline also enter into this problem of abstraction?

Herman Daly

Oh yes. Abstraction is rampant, of course, in all disciplines. I think maybe it reaches toxic levels in economics. And of course I'm not knocking abstraction because that's necessary for thinking and indeed the identifier, the father let's say, or the person who spoke about the fallacy of misplaced concreteness, was Alfred North Whitehead, who was certainly no stranger to abstract thought. But precisely because he was so adept at abstract thought, he recognized its limitations as well as its powers and emphasized this. Now I think often in economics and in other disciplines we see really only the power of abstract thought, which is considerable, and tend to be a little bit blind to the limitations that it raises. By the nature of the case, if you've abstracted from certain things that are important, then they're going to come back and haunt you at a later stage of your thought and policy.

David Cayley

Before we come to those accumulating externalities, what are the other major assumptions of classical economics you'd want to identify here as now being problematic?

Herman Daly

I think there's the *homo economicus* as the pure individual whose identity is totally self-contained and so that all relations between individuals are purely external, that is, that the individual is defined independently of all his relationships with everyone else and all relations are

external. John Cobb and I have argued that a better model of a truer *homo economicus* is that people are persons in community, that is, their very self-identity is made up of the most important of these relationships, or relationships are internal to the very definition of the individual, and not just external things to the individual. And if you take that point of view, then community becomes important. Community is built into the definition of the individual and to what the individual wants and how he acts. In current economics, community is nothing other than the subtotal of individual relationships and all of these relationships are external, so community is just an aggregate of individuals. But we say community is much more than an aggregate of individuals. Community enters into the very definition of what the individual is, how he sees himself. If I am son of Mildred and Edward, father of Karen, husband to Marcia, you take all those things away from me, then there's not a whole lot left. There's something left, but it's not much. And so we say that all these relationships constitute the individual's identity.

David Cayley

You spoke earlier of the externalities that the theory doesn't take account of, which have to be added. And these accumulate. More and more are identified, which corresponds to Thomas Kuhn's theory of what happens to a scientific paradigm. More and more things are seen to be wrong with it. Do we need a new paradigm?

Herman Daly

I think so. And the externalities are almost perfectly analogous to Ptolemaic epicycles. You know, before Copernicus, and I guess Kepler, they always wanted to explain the motions of the heavenly bodies in terms of circles because obviously a circle is the perfect figure. I mean why would God do anything so weird as an ellipse? So you keep having circles and then circles piled on circles until you manage to trace out the actual pattern. And it worked, it was just terribly complicated. And then once the idea came, well, let's use an ellipse, then the whole thing was greatly simplified. So I think that's what we're doing with externalities. Externalities are epicycles. We just keep piling up more and more, and we need to recognize then that economic commodities don't just flow in nice little circles within the economy, but they take broad elliptical orbits which go through the ecosystem and then back through the economy and affect many different things.

David Cayley

So nature and community are in effect the ellipses of the new paradigm.

Herman Daly

Yes, you might say that. Nature and community as the foci of an ellipse that defines the ...

David Cayley

You also expressed in your book reservations, however, about the idea of a paradigm, reservations about a powerful, new explanatory framework.

Herman Daly

Well, we've expressed reservations about a deductive system, because economics has modelled itself after physics and it wants to be a deductive system. Just get a few first principles that are right and then by mathematics you can work out everything else. Yes, we have a lot of doubts about that. We think that we ought to be much more historical and recognize the changing circumstance of time and place and not try to be so all-embracing in terms of economic theory.

David Cayley

Economics more as a sort of natural history of human activity?

Herman Daly

Yes, that's a good way to put it. It's more on the order of natural history, which has a few principles. It's not bereft of any unifying principles, but it tends to be rather historical in particular, rather than just deductive and totally general in its approach. And on the thing of paradigm, I've recently discovered that the great economist Joseph Schumpeter, long before Thomas Kuhn, had expressed the same idea using a different term. He spoke of a pre-analytic vision. He said before analysis can begin, you have to have a pre-analytic, cognitive act, which he called vision, which gives you the basic shape of the thing that you're going to analyze, and anything that's left out of your pre-analytic vision can't be corrected by later analysis. That's sort of related to that fallacy of misplaced concreteness once again. Once you've left it out, you're not going to get it in. So I felt that Schumpeter's way of looking at things was very much like Kuhn's and I even think that the term "pre-analytic vision" is more descriptive than paradigm. I think that really tells you what's going on.

David Cayley

Herman Daly is seeking a new paradigm or pre-analytic vision for economics, but there's a great deal in economics that he wants to preserve. In terms of Ivan Illich's distinction between those seeking an alternative economics and those seeking an alternative to economics, Daly is definitely on the side of alternative economics. He doesn't challenge the basic postulate of scarcity, for example. His aim is not to redefine economic activity, but to establish it within its proper limits, to see, for example, what markets are good for and what they aren't good for.

Herman Daly

The thing that economics does rather well, or at least markets do rather well, is to allocate resources among alternative uses by using decentralized decision-making. Markets are a way of getting decisions way down to the local level of the individual user and avoiding huge bureaucracies and central planning and all of that. So I think that's what market economics does well. What it does poorly or what the market has no real capacity for sensing, I think, are really two things: one, which has long been recognized, is the distribution of income. Markets will distribute income in a way which may be efficient from an incentive point of view, but it can be highly unjust. So the problem of justice in distribution has long been recognized. The other, where I think the recognition is much more recent, is the question of the optimal or proper scale of the entire human economy relative to the ecosystem. The market has a tendency to grow and so reaches a point at which, as the economy continues to grow, the marginal, the extra costs of further growth are greater than the extra benefits. Beyond that point, further growth doesn't make you richer, it makes you poorer, because it increases costs faster than benefits. Now, we haven't recognized that yet in our public policy, and so forth. We generally say that growth is ... we just take it for granted that the benefits far outweigh the costs. I mean they did it in the past, so why won't they in the future? Well, they won't in the future because we're at a much larger scale now and we cause much greater impacts on the natural world, which produces much greater feedbacks from the natural world: ozone depletion, CO₂, greenhouse gases, acid rain. All these things are products of a large-scale intervention by human beings in the ecosystem and their costs are increasing faster at the margin than the benefits. To take an extreme example: If ozone

depletion results from CFC propellants getting into the atmosphere, what's the benefit of these propellants? Well, instead of a finger pump on a can, you have a pressurized spray. Maybe it has some advantages in air conditioning. Okay, what are the costs? The costs may be increased incidents of skin cancer, disruption of agriculture worldwide. So at the margin then the costs seem to go up faster than the benefits in many dimensions of economic growth, and I think that we have to recognize the concept of an optimal scale of the entire human economy relative to the ecosystem, along with an optimal allocation of resources, and a just distribution of wealth.

David Cayley

Is it only because physical nature begins to kick back and there's a hole in the ozone layer or do you think that human nature also revolts against this scale of economic activity that we presently have?

Herman Daly

Yes. I think human nature also suffers under this. This is partly what John Cobb and I were trying to get at with the idea of community, that the most satisfying relations people have, they really, I think, stem from community and from some sense of belonging to a place and time and in a group with satisfying personal relationships, more than consumption of another tennis racquet or a golf club or something. So if in our striving for efficiency to produce more golf clubs, we end up destroying communities so that you can't find a golfing partner anymore, or that it's hard for you to make friends or talk to anyone, then we've given up more than we've gained, and I think this is what John Cobb and I were trying to get back into economics.

David Cayley

How to get from here to there is something you've been thinking about for many, many years. And in a number of books, like *Steady-State Economics*, you've made proposals. Can we talk about what your major proposals are, first of all, to find the optimum scale? How can one think of that?

Herman Daly

Of course one of our problems is that we don't measure the costs of growth. We just have the GNP, which is a mixture of costs and benefits insofar as they cause expenditures. We just throw them all together. So we

Should separate out the cost component of GNP and the benefit component, keep separate accounts and occasionally compare them, instead of just adding them together. Now one thing John and I did in the book was an appendix. We developed an index of sustainable economic welfare and one way of interpreting that index is to say that what we found was that for the United States from 1970 to 1986, which was the last year of our series, extra costs of economic growth in the U.S. were sufficient to outweigh extra benefits, so that aggregate welfare was pretty much constant, declined even a little bit, according to what we consider to be a fairly reasonable measure.

David Cayley

Could you give an example of something that looked like a benefit when it was aggregated in GNP, which was actually a cost when you teased it out?

Herman Daly

Well, I think there are two major categories that I found. One is the liquidation of natural capital--the forests, mines. You cut down a forest beyond its natural regenerative capacity, then that's consumption of capital. The forest kept in its original state would yield a certain income, a certain sustainable yield of trees, year after year. But if you go and you just cut down the whole forest and in the year you cut it down you treat all that as income, that's not proper. That's capital consumption. That's like selling your house and spending all the money this year, thinking you were rich because you sold your house this year and you lived high on the hog, but then the next year you're poor. And similarly with mines. When you're depleting a mine, you count all the copper sold in the current year as pure income, a large part of that is capital. So, consuming capital. And the other thing is not subtracting what economists call regrettably necessary defensive expenditures, the expenditures that we have to make to protect ourselves from the side effects of other production, so that if a firm is polluting the air and causing medical upper-respiratory problems and you have to go to the doctor, then those medical expenditures are really the costs of producing whatever was being produced that caused you to get sick.

David Cayley

So according to your calculations, the U.S. has already entered an era of diseconomic or uneconomic growth.

Herman Daly

Yes, exactly. Uneconomic or I'd even say anti-economic growth in the sense that if we grow now, costs seem to be going up faster than benefits, so that makes us poor. And it's hard for people to become accustomed to that watershed because if you ... Frequently people say, "Oh, we have to grow more, we have to grow more, in order to be able to afford the costs of cleaning it up and of helping the poor." Well, nobody doubts that if you're truly richer than it's easier to do everything, including clean up the costs of growth, and help the poor. But the question at issue isn't that. The question is, "Does growth from the present margin really make you richer or is it not making you poor?" If it's making you poor, then we can't appeal to growth as a way to help clean up or pay extra expenses. It just makes things more difficult.

David Cayley

How long have we already been in this era of diseconomic growth by your reckoning?

Herman Daly

Well, you know, it's hard to say, but our rough calculations sort of show that, as I mentioned before, from 1970 to 1986, at least over that period, it looks like welfare in the U.S. has been pretty flat. Now, I should say that this depends on a whole lot of assumptions that one makes in measuring the index, one of which in our case was that we weighted extra income to poor people more heavily than extra income to rich people and there's very good reasons in economic theory for doing that. I mean there's the idea of diminishing marginal utility -- everyone satisfies their most pressing wants first -- and so a dollar income to a poor person means more food, clothing, shelter, basic needs. An extra dollar income to a rich person may mean a third TV set in a summer home or something, which doesn't really add to his well-being nearly as much as an extra amount of food adds to the well-being of a poor person.

David Cayley

To achieve a steady state -- I brought this up earlier and then got onto another subject -- you said first of all you would need the means of identifying what's going on in the economy and what are the benefits and what are the disbenefits. What would be the other prerequisites of a steady state?

Herman Daly

I think you really don't even need ... you need to know those measures of costs and benefits to choose an optimal level at which to maintain a steady state, but we could maintain a steady state at various levels and not the optimum one. But I think basically you need to limit two things: You need to limit human population growth and you need to limit the growth of per-capita human consumption. So if we put some limits on reproduction and some limits on our per-capita consumption, that's what I think is required. Now I think the easiest way to limit consumption, and I mean here consumption of resources, material, physical things, is to do it at the depletion end, at the input end, to restrict the amount that we extract from nature and bring into the economy. By restricting that, we will ultimately also limit the amount that exits as waste later on. So something on the order of a depletion quota or a severance tax. As time goes on I tend to make more and more modest proposals as my more radical ones are ignored. So now I'm sort of, for the United States at least, I'm saying, "Here's a proposal which wouldn't get us all the way to a steady state but I think it would be a nice step forward for the U.S. to put a heavy severance tax on resources, particularly energy." Raise most of our public revenue from a heavy tax on resources. Then ease up on the income tax, particularly the taxation of lower incomes and perhaps even have a negative income tax at the very low levels of income, again financed by receipts from the severance tax. This would do several things. It would limit the material inflow of resources out of nature into the economy. We've now made that expensive. Also, it would incentivate the technologies which would use these resources much more efficiently and productively because they're more expensive, so we're going to economize more on them. Just like we did when the Arabs raised the price of oil, we learned to be much more efficient with oil, but instead of paying the Arabs the extra money, why don't we pay it into the U.S. treasury and ease up on income taxes and let the poor have some benefit as a result? And I think also a severance tax is easier to administer and collect than an income tax. It's harder to avoid it and it has less of an effect on incentives to work. So here would be something that we could do which would increase the efficiency of resource use. The technical optimists tell us that we can increase efficiency by factors of ten or twenty. Okay, if that's right, then let's do it. Here's a way to push. Pessimists say, "Well, we probably can't

do that but we really need to limit the resource throughput." Well, this limits the resource throughput so both optimists and pessimists ought to be happy with such a proposal. Well, that's a kind of one step towards a steady-state system.

David Cayley

Don't you run into the problem if you're making the proposal for the United States of the interdependence of the United States? I mean, American producers competing with producers in other countries which haven't done this?

Herman Daly

Well, you're absolutely right. This is a really big problem and one that I think is just ... You in Canada have already had a debate on free trade and things like that, but in this country it hasn't been debated and the big problem, the big conflict, is just as you've outlined. All economists will agree that the way to deal with environmental problems is to internalize the environmental costs into prices. If a country does that, then its prices go up. If its prices go up, it will be at a trading disadvantage relative to countries who have not internalized those prices. So I think the internal policy of sustainable development or steady state is going to require some kind of an external protection. You'll probably have to have tariffs to protect producers against countries who do not internalize those costs. Maybe when a whole bunch of countries adopt the same national rules of cost internalization, then you might have free trade among people who play by the same rules, but certainly you can't have some countries internalizing costs while others don't and then have them trade freely with each other.

David Cayley

So in other words, regionalization of economies, if not nationalization, making them more self-sufficient units, would be a prerequisite for a steady state.

Herman Daly

Yes.

David Cayley

Unless you could devise a way for everyone in the world to move at once, which doesn't sound too promising.

Herman Daly

Yes, that sounds kind of hard to do. So you're better off to have a greater degree of self-sufficiency. We argue for this in the book. We go back to John Maynard Keynes. It comes as a surprise to many people to find that he argued very forcefully for national self-sufficiency, not in the extreme autarchic sense, but just in the sense ... I think he said something to the effect that ideas, art, hospitality, travel -- these are the things that are international -- but let goods be homespun as much as possible and also finance be primarily national. So we call that short-supply lines. Try to keep your supply lines short. We don't try to make a fetish out of being totally self-sufficient in any arbitrarily defined area, but just other things being equal, keep those supply lines short.

David Cayley

It certainly doesn't seem to be the way things are going at the moment.

Herman Daly

No, really it doesn't. I think there's a tendency to rejoice in the maximum possible interdependence and lengthening of supply lines. People seem to think that this ties the world together into one complex, interdependent unit, and that, therefore, people will all learn how to get along with each other because the cost of not doing so would be too great. I just don't think history bears that out very much. I think it just means that when we screw up, the costs of mistakes in one area are going to be spread all over.

David Cayley

This may come from an earlier period when you were making more radical proposals that no one listened to, but in your first version of *The Steady State*, I believe you also proposed maximum and minimum incomes to limit consumption.

Herman Daly

Yes. That was the notion and I still like this proposal. We didn't really make it in the new book but we came pretty close. The approach we take is limits to inequality. The idea is not to push towards equality because there are many good reasons for having different incomes, but unlimited inequality is a violation of community. If one person owns everything and everybody else owns nothing, then surely you can't talk

about community. So there has to be some sort of limited inequality that goes along with community. Now if you go all the way to pure, to absolute equality, that's a denial of individual differences in community, which we think should be respected. So there's some limited band of inequality. What should that range be? Well, that's an empirical question. We can experiment. My own view is, I think, a factor of ten difference between the highest and lowest is enough to reward all important differences and still create a sense of community in which people respect the differences and need for rewarding greater efforts. Just look at a university or look at the military or look at civil service, you find generally a factor of ten difference. I don't see any reason why it needs to be much greater than that. I mean, nowadays what do we have? It must be a factor of a hundred or more.

David Cayley

In other words, where people have had to come to grips with this in a bureaucracy, they've already arrived roughly at this factor of ten difference.

Herman Daly

Yes. People ask, what happens when people would reach the maximum limit? We'd say, "Well, their incentive is gone, they won't produce anymore." Well, the opportunities that they would have exploited are still around for other people to exploit. Once they've hit the limit, that doesn't mean ... I mean, what can they do then? If they really enjoy what they're doing, they keep on doing it just for the fun of it. If they don't enjoy what they're doing, well then, hurray. Here's an opportunity to go do ... I could be a gardener now. I've hit my limit -- I can go write a book or I can be a gardener or I can try to be a professional tennis-player and I won't starve because I get beat all the time or whatever.

David Cayley

The third aspect was limiting births. Incomes, births, depletion of resources. This is probably the hardest one. It's certainly the most difficult for me to contemplate. Can you say, first of all, what your initial proposal on this was and then what changes you've gone through in relation to it?

Herman Daly

The original proposal was something that actually

Kenneth Boulding had first suggested, an orphan brainchild of his that I adopted.

David Cayley

You mean he'd already been driven out of town over it.

Herman Daly

Yeah. I love Kenneth Boulding. He's one of the people I've learned most from, but you know he first proposed it by saying, "In all seriousness, I believe that," and then later on he referred to it as, "A few years ago I somewhat jokingly suggested that..." But the idea was, if you can see that reproduction has to be limited, then let's create a new right to reproduce, a legal right to reproduce, and let's distribute that right equally, on the basis of total equality. One person, one right, or each woman two rights, or various ways you could do it. And then not everybody wants to reproduce, not everybody can reproduce. Those who don't then could give, trade, sell their right to somebody who wants more than two children and can afford to buy it or can finagle you into giving it to them. Many people react with horror to that and they say, "Oh, the rich will have an advantage. The rich will have an advantage." Yes, that's true. The rich always have an advantage; that's the whole point of being rich. The rich buy Cadillacs and the poor can't; the rich get access to blood when they need it for operations, the poor don't. This is true; and if we don't want that to happen, then the way to do that is to limit the total advantages of the rich by the other institution, which is the limits to inequality -- the minimum and the maximum. We say, "We're going to take care of that with a minimum income so that people will not be disadvantaged beyond some point." Also, I think that this is not buying and selling children. This is a legal right to reproduce. If more children are born to richer rather than poorer parents, then there's something to be said for that. That's a benefit to the children. It tends to equalize the per-capita distribution of income if that happens. Now the problems come, of course, in enforcement. What sort of ways would you have for enforcement? Well, any sort of population-control scheme is going to face the problem of enforcement and I don't know really what are the best ways. You want ways which do not penalize the innocent child. Unfortunately, the Chinese program, some of their means of enforcement fall rather heavily on the children and indeed the whole family. Food rations are not increased, or are limited, and so on. So

I'm not sure what would be the best forms of enforcement or punishment. I'd just say one thing, people look upon this as a restriction of freedom. Sure it is. But if you go back and you read the classic defense of freedom, John Stuart Mill's *On Liberty*, you find that he makes a specific case for the right of the state to see to it that a country is not overpopulated by laws which delay marriage until a couple is able to support children, or by various things like this. So there's a long and solid tradition of arguing that there is a collective interest in limiting a nation's population. Now in the nineteenth century it was commonly the practice not to do this, but on the other hand, you see, there was no welfare state. So the rule then was to let the unfortunate offspring starve and so that was a pretty effective way of dealing with overpopulation. It was a very cruel way and I don't think very many people advocate that today. But if we want to move away from that, if we want to adopt a rule that unfortunate offspring are not going to be allowed to starve, they're going to be taken care of by the society, then we have a correlative obligation to see to it that there are not so many unfortunate offspring that we can't deliver on that obligation. So this is a big problem and I think we still need to keep plugging away at it.

David Cayley

Well, I can't see that there isn't a problem. Obviously your proposals are unpalatable, everybody else's proposals are unpalatable. What's happened in China, for example, seems pretty grim. And yet, it's hard to say, "Well, just let it go. Population is self-limiting at some level."

Herman Daly

Yes, it certainly is self-limiting. It's self-limiting in Malthusian terms, you know, what Malthus called the positive checks of misery, starvation and vice, where he considered birth control to be vice. The neo-Malthusians said, "No, birth control is not vice; birth control is prudence." So I'm very much a neo-Malthusian in that sense. I think we can exercise some foresight and social planning on the issue of birth control. Now the Chinese, I think they deserve a prize in gratitude from all mankind for having been the first society that really seriously tried to deal with the problem. They were driven to it. For many years they kept saying, you know, the old Marxist line that we have to protect the people from capitalism, not capitalism.

From the people, the more people the better, and so on. Well, they've backed off from that. Now, the other problem there is not just a matter of population, it's also a matter of per-capita consumption. What's really limited is the aggregate throughput from nature, the total flow from nature through the economy, back to nature, at some sustainable level. That's equal to population times per-capita resource consumption. We can operate on either of those variables. In rich countries we could say, "Oh, it's good to have a lot of people, let's just lower per-capita consumption. We don't need all this stuff, let's have more people." We could do that. In poor countries that's a lot more difficult to do because they're much closer to the minimum necessary, so their only alternative is to work on the people factor of the equation and not the per-capita consumption side.

David Cayley

What is the point, do you think, of making proposals as radical as yours in the present circumstances, where obviously they're not going to be immediately adopted by anyone?

Herman Daly

No, they won't be immediately adopted, but I guess the reason is that we think that the present circumstances won't be maintained. Things are going to get a lot worse and then these costs of growth will become so prevalent that everyone can see them. And already people are far ahead of the politicians. I think people are much more willing to accept leadership and recognition of these constraints than the politicians are. So at some point, you know, after there's been a big disaster for environmental reasons, then we get serious and want to reconstruct and do things differently. Well, at least then there will be something on the table to start with and the discussion won't have to start from scratch. In a sense, neither John nor I, I think, would be very comfortable if we were suddenly made dictators and told to put everything into practice. We feel that we ought to have to go through the gauntlet of convincing people because that's a kind of verification, because we're like other people and these same arguments that convinced us ought to convince other reasonable people. If they don't, then maybe there's something wrong with our argument. So we have a certain amount of faith that reason and argument and persuasion are effective and will prevail. To the extent that they're not workable, we're quite willing to re-examine our own views.

Maybe we're wrong.

David Cayley

Do you fear that as the era of diseconomic growth continues, this actually has a disintegrating effect on society, that a moral disintegration is actually taking place, so that you're losing precisely what you need to reconstruct the world along the lines you've envisioned?

Herman Daly

That is exactly, I think, the biggest danger. What we need is to build on the remnants of community that exist in order to enact these limits; and if the very system which denies limits is destroying the community, which is necessary to impose the limits, then we're in a real bind. That's a real impasse. So our hope is that there's still enough community left where we can begin to build on that, consolidate and build on it, before we tear things up too much. You've really, I think, put your finger on what is a real danger, that the corrosive effect on community is doubly bad because it's precisely community that you need in order to limit this increasing corrosive effect.

David Cayley

At the end of the sixties and the beginning of the seventies, there were a number of books that, I think, created a mood that you might call ecological pessimism, not optimistic about the human prospect. One of the essays that you anthologized, I think, in one of your earlier volumes was William Ophul's, "Leviathan or Oblivion?", which puts it pretty starkly. Now at that time I think you were not exactly participating in that mood. You were more concerned to make proposals. It's almost twenty years later. I wonder what your mood is today?

Herman Daly

That's an interesting question. All during the years in which I was teaching a lot of this stuff, more than once I had students come to me and say, "Oh, Professor Daly, this is all so pessimistic. I'm going to drop your course. I mean, it's just ruining my life, you know, too many things to worry about." And I had to take that seriously because these were youngsters and many of them are really not well-equipped to deal with really pessimistic, serious things. I'd like to make a distinction between pessimism and optimism on the one hand and hope and despair on the other, so that I would say

whether you're a pessimist or an optimist, that's a kind of a betting man's rational expectation about the way things are likely to turn out. In that sense, I have to say I'm a pessimist. On the other hand, hope and despair are existential attitudes that you just impose on the world from your own being or you just say, "In spite of the fact that I am pessimistic, I will be hopeful because it is a sin to despair and hope is the proper attitude, so I will be hopeful, and I hope that my calculations are wrong. I hope I lose the bet. And I will set about doing things to try to see to it that I do lose that bet." So that's a kind of a way of squaring that circle or at least living with both things.

David Cayley

Herman Daly, thank you.

Herman Daly

Well, thank you very much.

David Cayley

One of Herman Daly's signal contributions to his field has been the identification of scale as a critical problem in economics. Until recently, the answer to the question, "How big should an economy be?" has always been, "As big as possible." Daly points to the possibility of identifying a natural scale for a given economic activity. In this sense, he belongs to a contemporary tradition which goes back to E.F. Schumacher's *Small Is Beautiful* and before that to the work of Schumacher's teacher, Leopold Kohr. Next week, in the final program of this series, I'll visit the Schumacher Society in western Massachusetts and ask what this tradition has to contribute to redefining development.

Lister Sinclair

On Ideas tonight, you've been listening to the third program in our four-part series on redefining development. The series is written and presented by David Cayley. Production assistants: Gail Brownell and Faye Macpherson; technical production by Lorne Tulk. The executive producer of Ideas is Bernie Lucht.

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Lister Sinclair

Good evening. I'm Lister Sinclair and this is Ideas on redefining development.

E. F. Schumacher

Growth is perhaps the second greatest mystery. The greatest mystery is the mystery of the cessation of growth. You know, that a thing can grow at all is wonderful, but that it knows when to stop, that is even more wonderful.

Lister Sinclair

Dr. E.F. Schumacher speaking on Ideas in 1975. Two years before, he had published *Small Is Beautiful*, the book that made his name and put his philosophy before a wide public. In his book, Schumacher argued that scale is a critical consideration in development, that all tools and institutions have their appropriate scale and turn destructive when they exceed it. What the world needed, he claimed, were the simple, non-violent technologies, which he called "intermediate technologies," technologies that could fit into their social circumstances without destroying them. Today the legacy of E.F. Schumacher is expressed in the work of the American Schumacher Society. Located in the Berkshires of western Massachusetts, the society has tried to devise the economic institutions that would allow Schumacher's dream of a renaissance at a small scale to be realized -- institutions like community land trusts.

Robert Swann

The basic idea behind a land trust is to return to the community the value which is created by the community. Land appreciates in value generally not because of what individuals do for the land. They may improve it some, surely. You know, they may improve the soil, they may add buildings and so on, and those are definite improvements. But the land itself, the basic land, appreciates in value not because of what they do, but because the community itself becomes a valuable place to live, because of other people that are there. So the land trust idea is to return to the community the value which is created by the community.

Lister Sinclair

Tonight on Ideas we profile the work of the Schumacher Society in the fourth and final program of our series on redefining development. The series is written and presented by David Cayley.

David Cayley

In 1939, a young Austrian refugee called Leopold Kohr addressed an audience at the University of Toronto on

the subject of social size. He argued against a popular book of the time, called *Union Now*, which proposed that a lasting peace could only come about through political unification. Kohr claimed that the salvation of the world lay not in uniting the nations, but in dismembering them. The chief evil of the age, for Kohr, was paralyzing bigness, a cancerous overgrowth which dwarfed the human scale, drowned the individual voice, and annihilated local character. More than thirty years before The Club of Rome, he entitled one of his early articles "The Limits to Growth." Later he summarized his approach in a book called *The Breakdown of Nations*. Leopold Kohr was the first contemporary thinker to recognize the close link between form and size. The biologist J.B.S. Haldane, in a wonderful essay called "On Being the Right Size," had drawn attention to the narrow range of sizes within which a given form can exist. A horse can only be a horse at a certain scale. Kohr applied the same argument to society. Beyond a certain size, he argued, societies will atomize and disintegrate. Only in small, bounded, and peculiar places can we really be human. Kohr's ideas made a deep impression on E.F. Schumacher when Schumacher encountered them in the 1960s and through Schumacher's *Small-Is Beautiful* they eventually gained a much wider audience. Today there are Schumacher societies in both Britain and the United States, which continue to develop these ideas. In tonight's program, you'll meet Susan Witt and Robert Swann of the American society. Bob Swann has devoted his life to the same quest for an ethical economics which animated Schumacher's last years. It began, he told me, during World War II.

Robert Swann

I became a conscientious objector at a time when that wasn't so easy to do. World War II was a very popular war and for good reasons with someone like Hitler, and yet I found myself unable to go along and shoot and kill people. I just could not do that. So the result of it was that I spent quite some time in jail. Jail is a great place to get an education if you really take advantage of it and we had some good opportunities there because we had a lot of men like myself that were also conscientious objectors, with a lot of background and interest and ideas of their own. So we had some excellent discussions, seminars, and so on, and prison became a kind of a post-graduate course for me. And particularly, what was going on in the world with people like Gandhi

in India, I became very interested in Gandhian ideas. So that was a major influence in my life and I think that ever since that I've been committed in a certain direction that hasn't changed at all really.

David Cayley

One of the thinkers by whom Swann was most impressed was an American original called Ralph Borsodi. He became Swann's teacher and later his friend and collaborator.

Robert Swann

I would say Borsodi was the first American decentralist of a very significant kind. He was an economist by background and training, though he was pretty much self-taught. Never went to college. I don't even think he went to high school; he was an entirely self-taught man. But he became a very influential adviser in Wall Street. He advised some of the largest corporations on Wall Street in the twenties -- this is going back to the early 1920s -- until he became totally disillusioned with the whole Wall Street picture, because he was basically a philosopher and realized that the values and so on were not the values that he wanted to promote. And so he set up a small homestead in Long Island. He and his wife just bought a couple of acres of land and he began to experiment with how you could live as self-sufficiently as possible, with his wife baking bread, for example, and having a small garden to furnish all their own food, and so on. He wasn't aiming at total self-sufficiency, but he wanted to see how far you could go and what the efficiency was relative to the mass production of the going concerns. And so he spent a lot of his time developing these kinds of small-scale gadgets that might be workable, for instance, inventing a small machine that would grind wheat in the house, so you didn't have to go and buy the flour. You could buy the wheat and grind it yourself and make the bread, you know, this kind of simple machinery and equipment that later on Schumacher picked up and began to call "appropriate technology" or "intermediate technology," small-scale technology that could be worked at the home or nearby. That's the same kind of thing. So Borsodi was an early inventor and an early promoter and philosopher of the idea of decentralization.

David Cayley

Behind Borsodi stands the figure of Henry George, a nineteenth century American journalist and economist.

His book *Progress and Poverty* sold millions of copies - perhaps the *Small Is Beautiful* of its day -- and attained a wide influence. George was a friend of Borsodi's father and Borsodi imbibed from him an idea which remains central to the Schumacher Society today.

Robert Swann

George put forth the idea that land should be taxed but not the improvements on it, to make it clear that it's the land where the real value is created by the community. The community creates that value, not the individual. The community deserves the appreciated value in land, not the individual. So therefore a tax should be put on land and not on the improvements. You don't want to penalize people for improving building houses and improving their life, but the land is something different.

David Cayley

Land was also a central preoccupation within the Gandhian movement in India, another contributor to the thought and practice of the Schumacher Society. Schumacher spent time in India with Gandhi's successors. So did Borsodi. And it was in the light of the Gandhian movement's experience that Borsodi began to imagine the institution that Bob Swann would eventually name "a community land trust."

Robert Swann

After Gandhi's death in 1947 -- this is something a lot of people don't understand -- a man by the name of Vinoba Bhave became the recognized leader of the Gandhian movement. Gandhi had said himself that he thought that Bhave would be the leader after his death. And Bhave took on the problem in India of the landless, the problem of many, many millions of people in India who live in the villages but who own no land, who have no access to land and are at the mercy of the landowners and so on. So he began a pilgrimage, walking from village to village and talking to the people in the village. Because he was so recognized as a saint in India, it was easy. All the villagers would gather around. And he would say, "My brother here has no land, but you may have some land. You other people may have some land that you don't need so badly. Could you give my brother some land?" And many people would stand up and say "yes," amazingly. I mean it was unheard of that anybody would give up land in India, because land was the next thing to gold in terms of value. But over time, walking from village to village over a period of several

years, Vinoba actually accumulated several million acres of land. But then what happened was that the people who were assigned to this land, this land that was given, found out that the land was valuable but they had nothing to work the land with. They didn't have a plough or oxen or anything, you know, just minimal things, minimal tools. And so some of them then, because they had the title to the land, the ownership now, turned around and sold the land because it gave a cash return, which they then took with them to Calcutta or somewhere, and then gradually became beggars on the street after the money ran out. So Vinoba realized that there had to be a different way and that's what was incorporated in what was the *gramdan* approach in India, which means "village gift of land." In the *gramdan* program, instead of the individual being given a piece of land as previously under what had been called the *boodan* land-gift approach, under the village gift approach the village was given the land and the elders of the community that already exist as a council, sort of, in India, were given the oversight of the land and they would give the right of use to individual landless farmers and they would try to help them to get that equipment and so on that they needed. But the farmers didn't have the ownership of the land. That was the difference. The ownership resided with the community and they had the right of use, so it was like a community land trust. It was the same form, in effect, as a community land trust.

David Cayley

The community land trust is an institution which builds on the heritage of both Henry George and the *gramdan* movement. The term itself was coined by Bob Swann when he and Borsodi began a sort of American *gramdan* movement in the sixties. A community land trust vests ultimate ownership of land in the community, while extending to those who live on the land most of the traditional prerogatives of owners, like long-term security of tenure, the right to make and benefit from improvements, and so on. Following George's distinction between the value a community gives its land by being a community and the value an individual gives it by his labour, the community land trust creates a sort of socialist-capitalist hybrid in which the just claims of the individual and the just claims of the community are harmonized. The first American land trust was created near Albany, Georgia, in the late sixties. The civil-rights movement by then had accomplished its legislative

lims, but rural blacks remained poor and landless. This was the issue Borsodi and Swann tackled in collaboration with Slater King, a cousin of Martin Luther King's.

Robert Swann

Slater had been well recognized as one of the strong leaders in the civil-rights movement, but he was also a businessman. He was actually in real estate, that was his business. So he was in a position to know about land and where land could be found and so on and shortly after we began this process, he was able to locate a tract of land, a 5,000-acre former plantation not far from Albany that could become and did become eventually the first community land trust in the United States. It was an expensive piece of land. It was over a million dollars to buy the land. Five thousand acres is a lot of land and it was a cliffhanger at the very end because the last fifty thousand that we needed to make it possible didn't come in till two minutes after the deadline -- not before, but after the deadline -- and it was an interesting scene. I can describe it a little bit. The lawyers for the owners of the land -- who didn't want to sell the land at that point because they saw that this was going to go into black hands and they were white and they hadn't realized it up until very recently -- were hoping that we wouldn't be able to get all the money. And so there was a fifty-thousand-dollar cheque that was due through a bank, that was due to come in and it didn't come before the deadline. So the lawyer stood up and said, "I'm sorry, we're leaving. Too bad, but you didn't make it." The lawyer that represented our side, who happened to be the brother of Slater King, said, "I want to talk with you," (the lawyer). They had a little huddle in the corner and when they were through the huddle, their lawyer said, "We'll give you twenty minutes more." At that moment the man from the bank walked in the door with a fifty-thousand-dollar cheque in his hand. So everybody said, "What did you say? What did you say to the lawyer?" And, I'm sorry I can't remember his first name, but Mr. King, the lawyer, said, "Well, I happened to know something about some things that he's involved in and he had a conflict of interest in this and I threatened to take him into court if he didn't give us some more time." So, that's the way we finally got the land. It was a cliffhanger. It really was a cliffhanger. But that was the beginning and from there on it's been a development process. The institute that we started, which eventually became the Institute for Community Economics, then took on the role, I should say, of technical assistance to

groups. We wrote a book, the first book on community land trusts, back in 1972 and that began to promote the idea around the country. So we provided technical assistance to many, many various groups starting community land trusts. Today there are about sixty-five community land trusts in the country and many others that are forming or don't call themselves community land trusts but are essentially the same thing.

David Cayley

Did a farming community establish itself on that land in Georgia?

Robert Swann

Yes it did.

David Cayley

And is it still there?

Robert Swann

It's still there. Yes, it's still going. I haven't been in touch with them in the last few years, but they are still going as I understand it, very well.

David Cayley

At the same time that Bob Swann and Ralph Borsodi were building the Institute for Community Economics, a new magazine appeared in England called *Resurgence*. It presented the writings of Leopold Kohr and E.F. Schumacher. Schumacher in the fifties had been a relatively orthodox, Keynesian economist, but his faith in conventional development economics had been badly shaken by a trip to Burma.

Robert Swann

He said that when he was invited to go to Burma he thought he'd better do some homework and find out what the income and so on was in Burma and he discovered that it was sixty dollars a year. He said, "I thought, 'My God, this will be the most poverty-stricken place I can imagine. It must be a terrible place to be.'" So he went to Burma and, when he got there, he was amazed because he found that people were very happy. "Happier than they were in England," he said. And he said, "I was really baffled what was going on here," and it gradually began to eat at him, you know. And he realized that the ideas that he was about to give to the Burmese at that time of the conventional wisdom of development just weren't appropriate. They wouldn't

work. So he began to revise his whole thinking.

David Cayley

Schumacher's reflections on his Asian experiences eventually informed one of his most beautiful and best-known essays, called "Buddhist Economics." This was one of the essays from *Resurgence* eventually collected in *Small Is Beautiful*. The book was published by Harper & Row in the early seventies, but gave no signs at first of its eventual popularity.

Robert Swann

It wasn't selling. I mean typically book publishing companies don't put a lot of money into a book until they think it's going to really go. So I wrote to Fritz and said, "Why don't you come over and we'll put you on a lecture tour and we'll promote the book and get the thing going." So that's what happened in 1974. He came over for his first trip to this country, where he would lecture. And we had some wonderful help from a lot of people, like Hazel Henderson, and so on, to help get his story into those places where it could really make some impact, like getting him on many of the radio programs and lots of other projects. So that began to promote the book and the book began to sell and became eventually the best non-fiction seller that Harper's have ever published.

David Cayley

Schumacher became known principally as an exponent of what he called "intermediate technology" -- affordable, appropriate, non-violent tools, which would enlarge a society's possibilities without undermining its social relations. Bob Swann's interests are complementary, but slightly different. He's interested less in the technology as such, than in creating the kinds of economic institutions within which such a new technology would make sense. When he undertook the presidency of the Schumacher Society, he undertook to create these new institutions, like land trusts.

Robert Swann

The community land trust is a non-profit corporation which owns the land, holds the land, without any possibility of any individual benefitting from that corporation, and it leases the land out to the individual families or individual persons, according to the use-value of that land. Now when I say use-value, I mean there's a difference between, say, housing as a use and farming

as a use. If you're a farmer, you obviously can't pay as much for land as you can if you are a builder of houses or a seller of houses or whatever. You obviously can't. For instance, in this area here that we live in, if you want to build a house here, you will pay thirty thousand dollars or more per acre for a building lot, for a place that's suitable for a building. But if you're a farmer, if you pay more than five hundred dollars an acre for farming, you would probably go broke, because you can't afford it. You just can't afford it. So there's a vast difference in the value of land for one use as against another use, with commercial land being always the highest value, or being in an urban area always the highest value. So the community land trust is an effort to capture that value that's created by the community and bring it back to the community, rather than the individual reaping the value of that.

David Cayley

Land trusts are only one of the institutions which Swann believes will be necessary to support just and prosperous local economies. The society has also established a credit fund, which makes low-interest loans available in the region and built affordable housing. The next phase, according to Bob Swann's colleague Susan Witt, is thinking about a regional currency, thinking which has been stimulated and encouraged by the pioneering work of Toronto's Jane Jacobs.

Susan Witt

She was the speaker for us at the Schumacher Society lectures and did a wonderful talk about regional planning and regional growth and developing fully each region, rather than creating these "elephantine cities," as she calls them. She would rather see each region develop fully and in a variety of ways on its own, and has done a lot of thinking about how this can happen. Her book *Cities and the Wealth of Nations* addresses this issue. She gave her talk just before her book came out, so we didn't have the advantage of reading her book before the talk. In the question-and-answer period, she said, "Of course, I don't think any of this can happen without the development of regional currencies." Well, I did think I'd have to pick Bob Swann off the floor and afterwards he said, "Jane, how did you come up with this?" And she said, "Well, it's just reasonable and rational," and she said, "When I first realized the necessity for it, I was a bit frightened, because I didn't see how it could be done. I didn't understand how it could be done." And

Bob said, "Well, let us tell you about our Berkshare program that we've been thinking about." So that started a mutual collaboration and interest and love affair between the Schumacher Society and Jane.

Robert Swann

Regions have different needs for money that are not taken into consideration by our centralized system of banking that we have today. A centralized system takes a look at the nation as a whole and says, "Ah, well, we better issue more money." That is, we better, through the federal reserve system or whatever the system is, put some more money out because it looks like the economy needs more money. It's going down a little bit. We'd better feed it some more money. But it may not be true that the economy of this particular region needs more money. It might not need more money at all, whereas over here there may be a great need for money. So, as Jane Jacobs is pointing out, there's no way of controlling where that money goes from the national level. It just goes out into the economy as a whole and it does not work within the necessities of the region. So what we want to do is create regional currencies that only work within those regions, so the currency can be expanded or contracted according to the needs of the region. And to do that, we've begun some experiments, and that's all I can call them right now is experiments. The first one we've initiated is having a couple of local farmers who have farm stands, where they sell their own produce, sell at this point what amounts to a gift certificate or a certificate of indebtedness, which they sell for nine dollars, a certificate which will buy ten dollars' worth of produce at a later date when the produce comes in. They've been selling these since last October, I believe. And the certificate will be redeemable. That is, the certificates will be redeemable for produce next July, August, September, when the harvest begins to come in. Now from the farmer's point of view, this is simply a loan. It's a simple way of getting your customers to lend you money. Right? And you're paying back in produce, which is much easier for a farmer to do than to pay back in cash. So from the farmer's point of view, it's a very good way of helping to tide him through the winter and provide an income, or provide the necessary cash that he needs to survive over the winter, because most farmers' income goes up and down--in the summer it's high and in the winter it's down--and this way he can provide Now that's from the standpoint of the farmers. From

our standpoint, from where we're looking at it, we see it as the beginning of a process whereby a currency could be created that would circulate locally. Now that will only happen if these notes that farmers are issuing actually do begin to circulate in the local area, so we've been encouraging local merchants and businessmen and so on to accept them in trade, just as they would dollars, and the more we can get that idea across that these ... after all, everybody needs food and there's no reason why you couldn't accept this and go get your food with it, because many, many people deal with these farmers. They're the only two large farm stands in the area. They're the largest farm stands in our whole Great Barrington region, so they service an awful lot of people with local produce, and this way they will be able to provide better services for their customers, the farmers feel, and the customers will be receiving real value for their money. And that way, if we can get it circulating around, we will begin the process of initiating local circulation of currency.

David Cayley

So in effect the farmer is issuing money, which is backed by vegetables.

Robert Swann

Yes, basically that's what it is, that's really what it is. Exactly. He's getting dollars because he needs dollars right now, but in the long term, he might not even need dollars, he might be able to deal entirely with local currency at some point in the future, that is. The other thing that's important about this is that this currency will only circulate locally. It's not going to get out of the local region. When people bank their money today, if you put your money into the bank, a commercial bank primarily, what does it do with the money you put in the bank? Well, it usually buys bonds in Wall Street or it buys CD's someplace and it goes out of the community. So your money goes out of the community, it doesn't stay there, it doesn't work within the community. As any economist knows, there are two factors in the value of money: one is the face value that it has when you present it at the store, but the other is the number of times that it changes hands, what's called "velocity" in economic terms. The more times that money changes hands within a given area, the more work it's doing and the more valuable it is, because it's helping everybody that much more, you see. An example of that is a little town in Germany. Going back to the depression period

of the 1930s, this little town, like every town in the country, was flat on its face. I mean twenty-five per cent unemployment or more, nothing happening. The town was flat. So what they did was the mayor of the town decided to issue their own currency, which was good for paying taxes and other things. So they began issuing currency in the town and the way they helped to increase the velocity of the circulation of it was to attach a tax to the currency. Every month you had to put a stamp on the back of the currency that you bought for two cents. It was in effect a two per cent tax per month. That stamp had to be on there and if you went to the store, you couldn't use it unless the stamp was on there. And what this had the effect of doing was to step up the velocity, the number of times it circulated in the community. They actually made a test of it and discovered that, compared with other national currencies which they'd been dealing with -- shillings at that time -- the local currency was circulating three times as much locally, three times the velocity, in other words, which meant, in effect, it was doing three times as much work and therefore was three times as valuable. So there's another very important reason for local currency because it will continue to stimulate local business and local development.

David Cayley

Bob Swann's experience with local currencies goes back to 1972, when he participated in an experiment designed by Ralph Borsodi in Exeter, New Hampshire. Borsodi was already in his nineties at the time and interested more in proving a point than in actually establishing a permanent currency. So he put into circulation, for a short period, a local dollar which he called "a constant."

Susan Witt

Ralph had a participation from the beginning from a local bank in Exeter. The actual place where you went to trade your constants was at the corner bank, and the merchants gladly used it. In New England they're such individualists and the idea of freeing yourself from the federal government, in any form whatsoever, is greatly loved and enjoyed. So the merchants took it on. In our own town in Great Barrington the merchants have been interested in the proposal of a local currency, because they see it as a trade dollar that would just bring publicity and attention to their shops. Also the merchants in Exeter knew that if someone had constants in their pocket, they couldn't shop through Sears'

catalogue. In a rural area there's a lot of catalogue shopping. They would have to come downtown to Exeter and, in fact, that's exactly what they did. When newspapers came and said, "But isn't this illegal, Mr. Borsodi?" He said, "Well, just ask the government yourself. Call the U.S. treasury and ask yourself." And the reporters would call and they would say, "We don't care if he's issuing acorns up there, as long as there's an exchange rate with the U.S. dollar," so that presumably the transactions can be taxed, recorded and taxed. I happened to be a student at the time at the University of New Hampshire. I had no interest in economics; I was a literature major. But rumour went around that something was going on in Exeter and that those shops that had the constant were the good shops. They were for the people and for new ideas and we would actually travel from Durham, where we could have gotten the products that we needed, fine, just to go to Exeter and use this new currency, because it seemed such an unusual thing that the people could make their own money. It was a powerful, powerful image, of tremendous visual power, the idea of an independent currency. It's just a statement of our being able to do it for ourselves.

David Cayley

Local currencies have a long history. The single, standard federal dollar hasn't always had its present monopoly. So when the Schumacher Society started planning a new currency, Susan Witt began to hear stories about other successful experiences with local currencies in her region.

Susan Witt

Back in the thirties when the banks collapsed, the publisher of one of the Springfield papers at that time issued a note to pay his employees. The name of the publisher was Samuel Bowles. He was working with the *Springfield Union Leader* and he paid his employees in a scrip that was redeemable at the stores that advertised in the paper, so the idea was that the employees could at least go out there and purchase goods. However, this man told us what actually happened was that other people would come into the store, the storekeepers would have Bowles' money in the drawer and would say, "Do you want the federal dollars or do you want Bowles' currency?" And the customer would say, "Well, I see Bowles every day. I have more confidence in him. Give me Bowles' money any day." And so, in

fact, that issue of currency, that issue of scrip by Bowles kept circulation of trade going even with the banks closed.

David Cayley

Today the Schumacher Society is working towards launching a new currency. There's already a name, "the Berkshire," and a plan for establishing and backing the new currency's value.

Susan Witt

The standard would be tied to cordwood. Cordwood is a product that, if you as an individual aren't using it in the Berkshires, your aunt uses or your sister-in-law uses, and if you haven't actually been out there and cut down a cord of wood and stacked it, you've probably at least moved a cord of wood from one spot to another when you've been at a friend's house. So it's known in the body what is the worth of a cord of wood. It's in the psyche of the area. Wendell Berry said, "Oh yes, I understand. In Kentucky it'd be based on chickens." Actually, there's very little need for redemption, just as when the federal government in fact had gold as the backing, there was very little need for redemption. And, in fact, the government always even used a fractional reserve. Not many people actually want to come in and claim their cordwood. It's rather a measure. And as wood is an energy, we assume that energy prices will go up, so as the federal dollar, the federal funny money, devalues, the value of the cordwood note will remain constant in its buying power. So it will be seen to go up in value in comparison to the federal dollar, which would go down in value. So we hope that it would be the currency of preference in the long run.

David Cayley

All the initiatives of the Schumacher Society converge on the goal of regional development. The society sees its work, Bob Swann says, in the context of its own bioregion, meaning by bioregion an area defined by its natural, rather than its political, boundaries.

Robert Swann

We think of ourselves as a bioregional organization, bioregional group, which means in our area, for instance, that the Housatonic River defines the central artery -- it's like the backbone of our region--and on both sides of the Housatonic you have the Berkshire

mountains on the east side and on the west side you have the Taconic mountains. And the river flows north and south and the mountains run north and south, so that they go into Connecticut, but because there's a political boundary called Connecticut, we don't see that stopping the region. The region is quite independent of any political boundaries and that's true in the north in the same way, though in the north we think of ourselves as somewhat bounded by the turnpike, which tends to act as a divider of a certain kind. It's a sort of quasi-natural feature. Then south into the Connecticut area, down through maybe Kent or somewhere in that area where again the terrain begins to change. You have a different kind of region developing, so it's that rather long region. That's what we think of as our region. What it means is that, in terms of, say, membership in the land trust, if someone from Albany, New York, which is out of our region, wants to join the land trust or maybe wants to even give us some land and have us use it for our land trust, we say, "No, that's out of our region. We want you to develop that there in that region and we encourage you to do so." So we will provide assistance. We will provide technical assistance or whatever we can do to help them get something started there, but let them define their region then as a separate region. So these are the kind of restrictions that we tend to operate on. In a general way a fifty-mile radius is all we can handle.

David Cayley

Insisting on the regional scale allows Bob Swann to harmonize a feeling for nature with a life-long passion for economic justice. At the national scale, the demands of economic justice and environmental protection are usually in conflict. At the local scale, with the right economic institutions, they need not be. The change of scale and the change of institutions, Susan Witt believes, offers a way beyond the paralyzing contradictions of a society based on mass markets.

Susan Witt

It's a practical approach to living more gently on the land in the community. Instead of saying "no" to things, which is a major part of the environmental movement, I think, right now -- a lot of energy is spent saying, "No, don't do that. Let's stop that," --we're saying "yes" to a different type of development and showing how it can occur and how a community can help that occur. So instead of saying "no," we're saying "yes." We're putting energy into a new approach of working

and living and creating economic development on the land, rather than just saying no more development at all. What Schumacher always called for was local production for local consumption. That's how you're going to reduce the dependence on fossil fuels, on large-scale eating up of the environment, but in order to achieve that vision, you've got to work in your own region. It's going to be regional development. That's what Jane Jacobs calls for. So in order to work on the solution, rather than just living in this schizophrenia of "No, no, don't do any more there, but let me have my car and the second car and third car," there needs to be a positive solution and approach to solving some of our real social problems at the local level in a way that works within the environment, with that environment of that area. And we're trying to take those steps.

Robert Swann

If people are exploited, land will be exploited. If a farmer, for instance, is loaded down with a mortgage on land, which requires him to meet payments, because the price of the land has gone up so high that in reality he can't really afford it, but he's trying to, as many, many farmers are. Thousands of farmers are struggling under the weight of borrowed money to pay back the price of buying the land and therefore are only able to farm that land in a way that maximizes their income from the land. And what does that mean? If you're going to maximize your income, it means you're going to do things which are bad for the land. You're going to over-farm it, you're going to restrict yourself more to corn and other kinds of crops, which are the major cause of soil erosion, for example. It's just a known fact that that's what happens. Any kind of land which has been overpriced to the farmer is going to be exploited. The farmer can't help it. It's not because he wants to. He might, but he probably doesn't. He's got to do that in order to meet his mortgage payments and that's where all this comes together, because it's the interest on the money that in large part is causing his major trouble. This is where the two aspects of what we work with come together: the need for access to land that everyone has, and at the same time access to capital, access to the funds that are needed to make it work. Those two have to have a marriage. There has to be low-cost money, as well as low-cost land, for a farmer to produce good-quality food, you know, the best-quality food, and to not exploit the land. Those two have to come together. And in our present institutional system that doesn't

happen. That simply doesn't happen. So there is natural exploitation that takes place.

E.F. Schumacher

The real question behind all this is, "What are we about?" Are we mainly interested in building production or in building society? If we're mainly interested in building production maybe we can get more production by becoming more and more highly specialized and, to use the agricultural term, going in for more and more monoculture, so that a huge province produces nothing but wheat. Well, if there's nothing but wheat production, life becomes very, very dull and it isn't a real society. It's really a sort of colonial status where you work on one thing for the benefit of the big town, not for the benefit of the community who are actually doing the work. Now, we have been building this system of production for the last two hundred years, but the society seems to become tottering more and more, incurring bigger and bigger risks of a real breakdown, where we're no longer debating whether it's five per cent more profitable or less profitable, to do this or that, but we're debating our survival. Think of it!

Lister Sinclair

E.F. Schumacher speaking in 1975. His words conclude tonight's program, the fourth and last of our series on redefining development. Heard on tonight's program were Susan Witt and Bob Swann of the Schumacher Society in Great Barrington, Massachusetts. The series was written and presented by David Cayley. Technical production by Lorne Tulk; production assistants: Gail Brownell and Faye Macpherson. The executive producer of Ideas is Bernie Lucht.

Transcription by Hedy Muysson.